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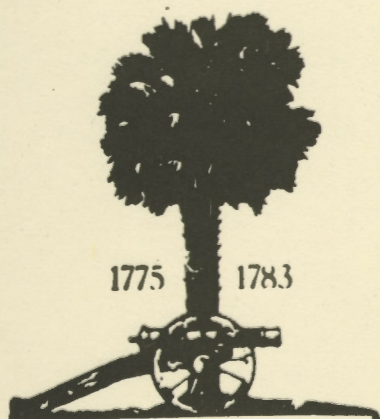


Legislative Audit Council

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The State of South Carolina
General Assembly
Legislative Audit Council
Management and Performance
Review of
Trident Technical College
Volume I
March 22, 1984

THE STATE OF SOUTH CAROLINA

GENERAL ASSEMBLY

LEGISLATIVE AUDIT COUNCIL

MANAGEMENT AND PERFORMANCE

REVIEW OF

TRIDENT TECHNICAL COLLEGE

VOLUME I

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CHAPTER I

HISTORY AND ORGANIZATION

The Legislative Audit Council was requested by the South Carolina General Assembly to conduct a management and performance review of Trident Technical College (Trident TEC). The review focused on Trident TEC, as requested, and includes related study of the State Board for Technical and Comprehensive Education (State TEC Board) and State TEC system in general.

This report examines management of resources and does not provide an in-depth evaluation of academic programs or educational quality. Chapter I reviews the history and organization of the State TEC system and Trident TEC. The College's management of capital improvement projects is discussed in Chapter II. Chapter III presents an analysis of Trident TEC's administrative and financial management, including accounting controls, computer resources and other resources. Chapter IV presents findings on the College's academic programs and student services. Problems related to the State TEC system are discussed in Chapter V.

Trident TEC has had a new President since May 1983, and has undergone an administrative reorganization. The usual practice of the Audit Council is to hold an "exit conference" with the audited agency for review of the draft report. The exit process provides an opportunity for the agency not only to reflect on accuracy of content but also to update the Council on changes related to draft findings. In this case, the Trident TEC President and Area Commission elected not to review the draft report (see Appendix B). The Audit Council is aware that

certain changes have been made including the bidding of insurance policies, procurement of computer hardware and software, improved control of equipment and auditing of FTEs. The findings relating to these areas remain in the report because they may have applicability to other TEC colleges in the system. Comments of the State TEC Board are published as Appendix A of this report. Appendix E contains a list of additional findings discussed with agency management which are available from the Audit Council under separate cover, as Volume II.

Background

Post-secondary vocational and technical education in South Carolina is constructed on two levels, State and local. In the early 1960's, an agrarian economy, out-migration of young people, and lack of industry challenged South Carolina leaders to establish legislation authorizing a technical training system. The State Advisory Committee for Technical Training became responsible for the development and implementation of an adequate vocational and technical training program outlined, in part, by Section 21-702 of the 1962 South Carolina Code of Laws:

- (1) A crash program coordinated with the State's industrial expansion effort which will provide immediate training for established industries and provide immediate training for particular industries;
- (2) Technical training programs primarily designed to train high school graduates as technicians for initial employment in industry; and
- (3) Provision of trade extension courses to persons who desire employment in industries and also to those presently employed who wish to improve their skills.

Working in consultation with the State Development Board, the Advisory Committee first set up the Special Schools Program to respond

flexibly to the needs of industry, making South Carolina more competitive with other states. As industry continued to expand in rapidly growing service fields, technical colleges were developed to provide training for technicians required as additional employees or replacements. Included in the State TEC system are all two-year, state-supported, post-secondary institutions except the regional campuses of the University of South Carolina.

The State TEC Board is directed by statute to maintain effective coordination with the Commission on Higher Education (CHE) and other educational boards and State agencies. The State TEC Board submits budget and enrollment documentation for some programs to the CHE for review and comment prior to submission of the total State TEC system budget request to the Budget and Control Board. All college parallel courses or associate degree programs taught in the State TEC system are subject to CHE approval and termination.

Institutions of the South Carolina TEC system maintain open admissions policies under the law and are directed to establish and maintain low student fees in order to ensure that post-secondary educational opportunities are not denied to anyone. The following areas of study represent curricula related to employer and student demand, and are offered through the 16 state-wide technical colleges: Agricultural Technologies; Business Technologies; Engineering Technologies; General Education Technologies; Health Related Technologies, Industrial/Occupational Technologies; and Continuing Education & Public Service Technologies. The State TEC Board has approval or disapproval authority over all

post-secondary vocational, technical and occupational diploma and associate degree programs. It also has responsibility for the operation of the South Carolina Fire Academy for the purpose of upgrading the State's fire service personnel: paid, volunteer and industrial.

Local area commissions participate and provide input in the formulation of state-wide policies and procedures. They are delegated primary responsibility for local governance and supervision of the individual institutions, in compliance with all State laws. This is achieved in part by the adoption of appropriate local policies and procedures consistent with state-level policies and procedures. Area commissions acquire sites and construct and equip appropriate facilities with approval of the State TEC Board. All real property is the possession of the area commission regardless of source of funds for its purchase or construction. For two of the 16 technical colleges, Beaufort TEC and Denmark TEC, the State TEC Board has functioned as both State and local administrative components. However, Act 135 was passed in June 1983 creating an Area Commission for Denmark TEC.

State TEC Operations

Through the implementation of Act 1268, the State Board for Technical and Comprehensive Education (State TEC Board) replaced the Advisory Committee in 1972. Statutes provided for continuation of the established policy of full participation at the local level in programs and institutions, through local boards and requirements, all subject to state-level policy and budgetary control through the new Board.

In 1976, Act 654 amended existing legislation. Section 59-53-51 of the 1976 South Carolina Code of Laws gave Area Commissions the right

to appeal any final decision of the State TEC Board to the Budget and Control Board. The powers and duties of Area Commissions were also detailed in Section 59-53-52 of the South Carolina Code. Operations for the State TEC System are administered through three divisions of the State TEC Board: Management, Instruction and Industrial, as shown in Table 2 on page 7.

The State TEC Board is comprised of ten members (see Table 1); eight are appointed by the Governor. Two members, the State Superintendent of Education and the Executive Director of the State Development Board, serve as ex officio members of the Board. For six of the eight appointed members, the Governor seeks the advice and consent of the legislative delegations of the Congressional district involved. The remaining two appointees are at-large members appointed directly by the Governor. The State TEC Board is empowered to employ an executive director and other personnel necessary for the Board to fulfill its duties and responsibilities.

TABLE 1
COMPOSITION OF THE
STATE BOARD FOR TECHNICAL AND COMPREHENSIVE EDUCATION

<u>District</u>	<u>Board Member</u>	<u>Term Expires</u>
1st District	Herbert J. Scholz, Jr.	1985
2nd District	Cliff B. Morgan, Vice Chairman	1986
3rd District	P. Henderson Barnette, Chairman	1987
4th District	Bennett L. Helms	1988
5th District	Clarence H. Hornsby, Jr.	1989
6th District	Mark W. Buyck, Jr.	1984
At Large	H. Carl Gooding	1987
At Large	Herbert A. DeCosta, Jr.	1984
Ex-Officio	Charlie G. Williams State Superintendent of Education	Indefinite
Ex-Officio	Robert E. Leak Director of State Development Board	Indefinite

Source: State Board for Technical and Comprehensive Education records.

In FY 81-82, State appropriations provided 59%, local governments 9%, and student fees 20% of system-wide unrestricted funds. The State TEC Board allocates State funds to technical colleges based on a formula that includes student/faculty ratios. These funds are distributed on a reimbursement basis and generally pay salaries of technical college employees. Other unique costs, such as equipment, are funded with separate allocations. Local government support is provided for plant support costs. Student fees provide for other operating expenses.

The 1982 Fall Quarter enrollment figures at the 16 technical colleges showed 37,851 students. Enrollment for the system has grown 16% based on the Fall Quarter enrollment from FY 76-77 through FY 82-83. Full-time-equivalent (FTE) enrollment has increased 10% based on Fall Quarter statistics over the same period.

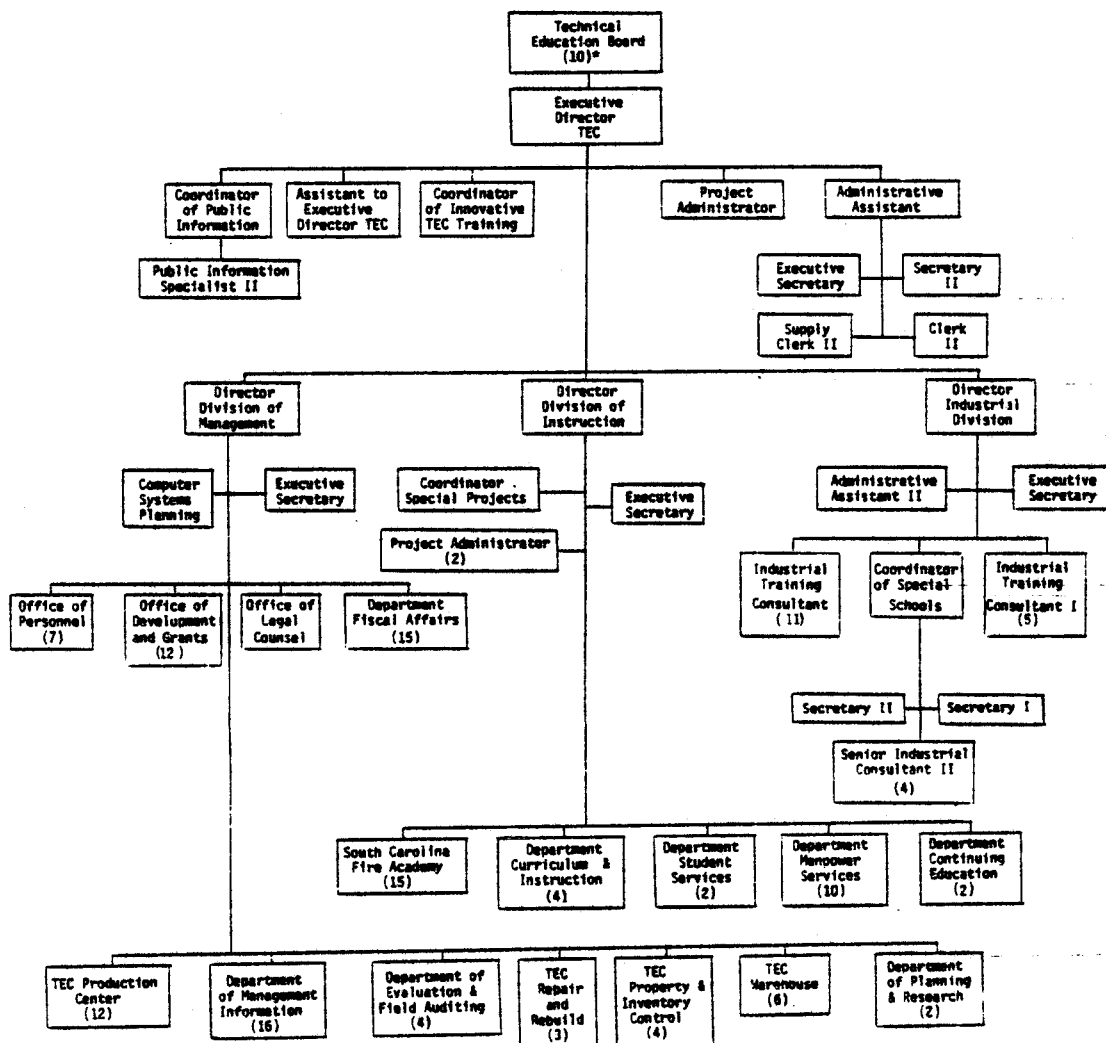
Table 3 on page 8 provides information on revenues and expenditures for the State TEC system from FY 77-78 through FY 81-82. Over the five years, State revenues increased 62%, Federal funds increased 22% and other funds increased 59%.

Expenditures by function for the TEC system increased from FY 77-78 through FY 81-82 as follows:

Industrial Services	...	81%
Instruction	...	52%
Administration	...	33%

Overall revenues and expenditures increased 54%. The total number of personnel, excluding temporary personnel, increased by 20% from FY 77-78 through FY 81-82.

TABLE 2
ORGANIZATION CHART
STATE BOARD FOR TECHNICAL AND COMPREHENSIVE EDUCATION



*Number of personnel if more than one.

Total positions for the State Board for Technical and Comprehensive Education: 160.

Source: South Carolina State Personnel Division.

TABLE 3

STATE BOARD FOR TECHNICAL AND COMPREHENSIVE EDUCATION

SOURCE OF REVENUES AND EXPENDITURES

FY 77-78 THROUGH FY 81-82

Revenue Source	FY 77-78	FY 78-79	FY 79-80	FY 80-81	FY 81-82
Balance from Prior Year	\$ 25,146	\$ 385,842	\$ 1,416,774	\$ 10,240	-
Regular Appropriation	33,936,997	41,115,371	46,034,900	51,470,880	\$ 54,910,437
Supplemental Appropriations	380,063	1,416,774	10,240	-	-
Transfers Between Agencies	-	-	-	-	100,000
Lapsed	(85,616)	(292,267)	(447,401)	(246,675)	(159,862)
Carried Forward	(385,842)	(1,416,774)	(10,240)	-	-
Total General Fund Appro.	\$33,870,748	\$41,208,946	\$46,974,273 ^a	\$51,234,445	\$ 54,850,575
Total Federal Funds	\$11,431,753	\$15,588,127	\$14,584,574	\$16,381,566	\$ 13,923,678
Total Other Funds	\$19,690,625	\$20,460,235	\$24,366,056	\$27,414,400	\$ 31,309,967
TOTAL FUNDS	<u>\$64,993,126</u>	<u>\$77,257,308</u>	<u>\$85,924,903</u>	<u>\$95,030,411</u>	<u>\$100,084,220</u>
Expenditures by Function					
Administration					
Personal Services	\$ 935,292	\$ 1,058,275	\$ 1,167,532	\$ 1,257,970	\$ 1,224,588
Other Operating Expenses	270,150	301,510	352,859	323,836	378,324
Total Administration	\$ 1,205,442	\$ 1,359,785	\$ 1,520,391	\$ 1,581,806	\$ 1,602,912
Instruction					
Technical Colleges					
Personal Services	\$33,077,418	\$36,567,433	\$42,375,391	\$46,509,567	\$ 50,030,584
Other Operating Expenses	9,924,757	11,121,473	12,461,844	14,199,468	15,037,307
Special Items	4,979,025	5,681,881	6,967,107	6,114,374	7,500,797
Permanent Improvements	682,319	699,060	225,586	619,078	-
Debt Service	170,185	137,134	81,001	45,841	47,054
Total Technical Colleges	\$48,833,704	\$54,206,981	\$62,110,929	\$67,488,328	\$ 72,615,742
Restricted Programs	\$ 8,029,218	\$13,784,182	\$13,271,614	\$13,932,794	\$ 12,252,486
Data Processing Support	-	-	-	734,741	970,679
Innovative Technical Training	-	-	-	135,981	292,527
Fireman Training	-	-	-	290,119	351,747
Total Instruction	\$56,862,922	\$67,991,163	\$75,382,543	\$82,581,963	\$ 86,483,181
Industrial Services					
Personal Services	\$ 857,682	\$ 882,343	\$ 1,227,584	\$ 1,484,415	\$ 1,778,585
Other Operating Expenses	585,997	504,652	592,828	901,785	829,313
Total Industrial Services	\$ 1,443,679	\$ 1,386,995	\$ 1,820,412	\$ 2,386,200	\$ 2,607,898
Employee Benefits	\$ 5,481,083	\$ 6,519,365	\$ 7,201,557	\$ 8,480,442	\$ 9,390,229
TOTAL EXPENDITURES	<u>\$64,993,126</u>	<u>\$77,257,308</u>	<u>\$85,924,903</u>	<u>\$95,030,411</u>	<u>\$100,084,220</u>
TOTAL PERSONNEL ^b	2,528.22	2,942.73	3,024.40	3,077.64	3,040.50

^aTotal General Fund Appropriation should be \$47,004,273 based on Budget Document figures.^bThis figure excludes temporary positions which are reported only in terms of dollars expended. For the five years, the total amount expended for temporary positions was \$46,092,066.

Source: South Carolina Budget and Control Board.

Trident TEC Operations

The Area Commission for the Berkeley-Charleston-Dorchester Technical Education District was created in 1962, and functions as directed by Section 59-53-410 of the South Carolina Code. The Commission has oversight of Trident TEC and is comprised of nine members (see Table 4), three qualified electors from each of the three counties, Berkeley, Charleston and Dorchester. Members are appointed by the Governor upon the recommendation of a majority of the members of the Legislative Delegations of the respective counties. Periodic reports of the Area Commission's and College's activities and programs are made, by statute, to the tri-county Legislative Delegations. Budgets for the operation of the College are submitted annually for approval to the State TEC Board and respective Legislative Delegations from Berkeley, Charleston and Dorchester Counties. The College uses three separate funds for accounting and reporting purposes: (1) general operating funds, (2) capital improvement funds (plant funds), and (3) loan funds (student aid).

TABLE 4
COMPOSITION OF THE BERKELEY-CHARLESTON-DORCHESTER
AREA COMMISSION

<u>County</u>	<u>Commissioner</u>	<u>Initial Appointment</u>	<u>Term Expires</u>
Berkeley	John E. Blackwell	1972	1980
	Henry E. Bonner	1963	1978
	Robert E. Wall	1983	1984
Charleston	Nathan Addlestone Chairman	1976	1983
	Montez Martin, Jr.	1982	1984
	Col. Van Cleave P. Warren	1982	1985
Dorchester	Henry D. Byrd	1962	1971
	Dan Pendarvis	1962	1972
	T. W. Salisbury, III	1979	1982

Source: South Carolina Secretary of State and State TEC Board records.

The College offers the following programs at three campus locations and eight extension centers: Allied Health Services, offered as a conjoint program with the Medical University of South Carolina; General Studies; Business and Management; Engineering Technology; and Industrial Technology. The various administrative relationships from Trident TEC's Area Commission through the Department Heads and faculty are shown in Table 5 on page 11.

The 1982 Fall Quarter enrollment figures showed 6,268 students. Of these, 1,069 were enrolled at extension centers. Enrollment at Trident TEC has grown 34% based on Fall Quarter headcount from FY 76-77 through FY 81-82. Full-time-equivalent (FTE) growth has been 21% based on Fall Quarter statistics over the same period.

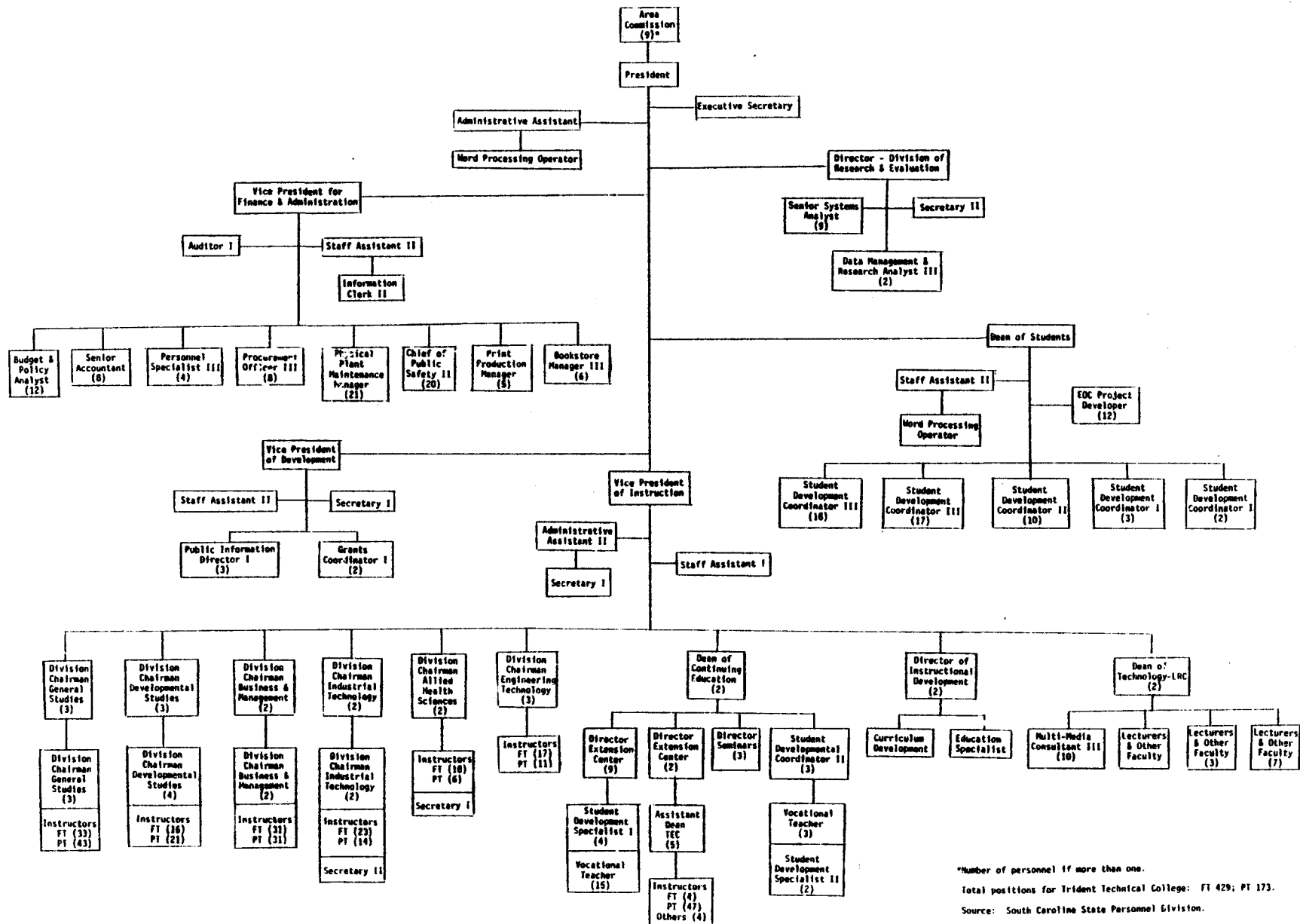
Table 6 on page 12 provides information on revenues and expenditures for Trident TEC from FY 77-78 through FY 81-82. Student revenues increased 46% in the past five years, State allocations increased 77% and local county funds increased 57%. Federal Vocational Education Act funds declined by 5%; however, other restricted Federal programs' revenues increased by 33%. State funds restricted to Special Schools and other special programs increased 108%. Overall, revenues increased 63% in the past five years.

Expenditures by function for Trident TEC increased from FY 77-78 through FY 81-82 as follows:

Administration	...	157%
Instruction	...	55%
Plant Operations and Maintenance	...	10%

Overall expenditures increased 53%. Personnel growth, excluding temporary positions, was 15% from FY 77-78 through FY 81-82.

TABLE 5
ORGANIZATION CHART
TRIDENT TECHNICAL COLLEGE



*Number of personnel if more than one.

Total positions for Trident Technical College: FT 429; PT 173.

Source: South Carolina State Personnel Division.

TABLE 6
TRIDENT TECHNICAL COLLEGE
SOURCE OF REVENUES AND EXPENDITURES
FY 77-78 THROUGH FY 81-82

Revenue Source	FY 77-78	FY 78-79	FY 79-80	FY 80-81	FY 81-82
Unrestricted Revenues					
Student					
Tuition and Fees	\$ 1,856,923	\$ 2,162,228	\$ 1,967,984	\$ 2,267,473	\$ 2,703,421
Other ^a	101,711	103,937	17,466	80,400	150,367
Total Student	\$ 1,958,634	\$ 2,266,165	\$ 1,985,450	\$ 2,347,873	\$ 2,853,788
Government					
State TEC Board ^b	\$ 4,043,893	\$ 5,388,651	\$ 6,269,547	\$ 7,077,167	\$ 7,167,177
Berkeley County	132,308	150,308	165,360	190,164	208,610
Charleston County	513,558	564,314	589,435	693,037	788,231
Dorchester County	84,902	113,801	124,020	137,623	150,972
Total Government	\$ 4,774,661	\$ 6,217,074	\$ 7,148,362	\$ 8,097,991	\$ 8,314,990
Federal					
SC Vocational Education Act	\$ 136,131	\$ 109,526	\$ 118,904	\$ 145,182	\$ 129,397
Other ^c	69,053	78,845	33,663	33,595	38,159
Auxiliary Enterprises	543,611	672,163	761,450	769,818	944,366
Miscellaneous ^d	19,441	47,897	98,537	107,146	213,127
Total Unrestricted Revenues	\$ 7,501,531	\$ 9,391,670	\$10,146,366	\$11,501,605	\$12,493,827
Restricted Revenues					
State Programs	\$ 400,656	\$ 309,228	\$ 1,017,420	\$ 1,046,899	\$ 831,790
Federal Programs	1,374,506	1,634,918	1,739,642	1,913,686	1,831,810
Private Grant	6,897	9,400	750	-	-
Total Restricted Revenues	\$ 1,782,059	\$ 1,953,546	\$ 2,757,812	\$ 2,960,585	\$ 2,663,600
TOTAL FUNDS	\$ 9,283,590	\$11,345,216	\$12,904,178	\$14,462,190	\$15,157,427
Expenditures by Function					
Unrestricted Expenditures					
Administration					
Personnel	\$ 480,887	\$ 636,628	\$ 745,218	\$ 962,069	\$ 1,022,619
Other Operating Expenses	132,862	192,408	216,288	377,063	302,519
General Expenses	38,876	163,001	179,833	208,679	353,588
Total Administration	\$ 652,625	\$ 992,037	\$ 1,141,339	\$ 1,547,811	\$ 1,678,726
Instruction					
Personnel	\$2,508,981	\$ 2,985,794	\$ 3,474,464	\$ 3,580,574	\$ 4,085,884
Other Operating Expenses	337,906	204,304	273,347	327,473	319,105
Total Instruction	\$2,846,887	\$ 3,190,098	\$ 3,747,811	\$ 3,908,047	\$ 4,404,989
Plant Operations & Maintenance					
Personnel	\$ 372,892	\$ 468,960	\$ 496,806	\$ 545,830	\$ 512,728
Other Operating Expenses	848,380	658,793	752,632	834,944	830,841
Total Plant Ops. & Maint.	\$1,221,272	\$ 1,127,753	\$ 1,249,438	\$ 1,380,774	\$ 1,343,569
Academic Support	\$ 495,914	\$ 642,249	\$ 793,033	\$ 809,180	\$ 790,737
Student Support	543,671	601,433	699,218	833,253	805,304
Auxiliary Enterprises	509,603	622,642	626,190	685,956	855,029
College Work Study	35,661	32,148	44,135	52,208	42,591
Equipment	319,604	326,162	156,971	233,082	230,654
Bond Retirement	489,260	489,160	421,271	347,650	440,229
Employee Benefits	600,087	729,641	872,370	971,537	1,289,117
Total Unrestricted Expenditures and Transfers	\$7,714,584	\$ 8,753,323	\$ 9,751,776	\$10,769,498	\$11,880,945
Total Restricted Expenditures	\$1,773,288	\$ 1,665,131	\$ 2,757,812	\$ 2,960,585	\$ 2,648,600
TOTAL EXPENDITURES	\$9,487,872	\$10,418,454	\$12,509,588	\$13,730,083	\$14,529,545
TOTAL PERSONNEL^f	394.40	427.50	407.53	460.91	452.52

^aCharges for insurance, vehicle registration, late registration and other student services.

^bIncludes employer's share.

^cAdministrative fees and indirect cost recovery.

^dIncludes interest on investments and sale of property.

^eIncludes special schools.

^fThis figure excludes temporary positions which are reported only in terms of dollars expended. For the five years, the total amount expended for temporary positions was \$5,348,254.

Source: Trident Technical College Certified Public Accountants' Reports 6/30/78 through 6/30/82.

There are two problems with the composition of the Berkeley-Charleston-Dorchester Area Commission. First, Commission members have not been reappointed in a timely manner. Second, there has been little turnover in Commission membership over the past 20 years.

Untimely Reappointments of Area Commissioners

Appointments to the Berkeley-Charleston-Dorchester Area Commission have not been made in a timely manner. Six members are serving on the Commission past the expiration of their terms (see Table 4 on p. 9). Two of these members, appointed in 1962 to terms that expired in 1971 and 1972, continue to serve without reappointments from the Legislative Delegations. Four other Commissioners' terms expired but they have not received their respective Legislative Delegation's reappointments.

Section 59-53-410 of the 1976 South Carolina Code of Laws provides that legislative delegations elect three members from each county to the Commission for three-year terms. The law states all members shall hold office until their successors have been appointed and qualified. However, because the law allows a member to stay on the Commission until a successor is appointed, terms have been extended from 18 months for some Commission members to ten years for others. Other concerned citizens could have been denied the opportunity of serving on the Commission.

Lack of Area Commission Turnover

There has been little turnover in the membership of the Berkeley-Charleston-Dorchester Area Commission. Two of the nine Area

Commissioners have served from initial three-year appointments in 1962 and one has served from initial appointment in 1963 consecutively to the present (see Table 4 on p. 9). Of five persons appointed between 1962 and 1982, two received five appointments, two received four consecutive appointments and one was appointed to serve six consecutive terms. Trident TEC is only one of several technical colleges with area commissioners who have served several consecutive terms. More than 50% of the technical colleges have area commissioners who have served 20 or more continuous years.

Because the law does not limit the number of consecutive terms served, little consideration has been given to the continuous reappointment of members. However, regulations governing the establishment and operation of industrial and technical education programs, as authorized by the 1961 General Assembly, state that area commissions should be made up of persons who know the industrial and technical needs of industry and who are representative of the general area served by the school. Regulations state this is necessary to "safeguard emphasis and to meet changing needs." A report prepared by the Educational Testing Service of the United States Department of Labor suggested a maximum of two (and not more than three) terms of three or four years for most governing board members.

Periodic rejuvenation of boards by turnover in membership benefits the boards and enhances policies adopted by them. Studies in some states have considered adopting legislation to limit membership terms for all governing board members.

Industrial and technical needs in South Carolina have changed over the years. Area commissioners who were representative of their areas

several years ago may no longer meet the intent of the law. A review of the industrial makeup in the Trident TEC service area reveals that the composition of this Commission presently reflects the industries in the area. However, the lack of more frequent additions of new members to the Commission could have prevented the introduction of new perspectives to meetings and decision making. Policies and procedures may have become more traditional than practical. The potential exists for changes in industrial growth and technological expansion to be overlooked by long-serving Commission members.

RECOMMENDATIONS

IN ORDER TO SAFEGUARD EMPHASIS OF THE TEC SYSTEM AND TO ENSURE CHANGING NEEDS ARE MET, THE GENERAL ASSEMBLY SHOULD CONSIDER AMENDING SECTION 59-53-410 OF THE 1976 SOUTH CAROLINA CODE OF LAWS WHICH ESTABLISHES THE BERKELEY-CHARLESTON-DORCHESTER AREA COMMISSION, AS WELL AS LEGISLATION ESTABLISHING OTHER TECHNICAL COLLEGE AREA COMMISSIONS; AMENDMENTS SHOULD PROVIDE FOR A MAXIMUM LENGTH OF SERVICE OF THREE CONSECUTIVE TERMS.

APPOINTMENTS AND/OR REAPPOINTMENTS TO THE BERKELEY-CHARLESTON-DORCHESTER AREA COMMISSION SHOULD BE MADE IN A TIMELY MANNER.

State/Local Authority

Questions have arisen concerning the authority of and relationship between the State TEC Board and area commissions for the technical colleges. General legislative provisions do not clearly define all points where state-level control ends and local control begins.

Section 59-53-51 of the 1976 South Carolina Code of Laws states:

The Board shall establish state-wide policies and procedures necessary to insure educational and financial accountability for operation of the technical education institutions and their programs.

The area commissions shall be delegated primary responsibility for local governance and supervision of the individual institutions in compliance with all state laws by adoption of appropriate local policies and procedures which are consistent with state-level policies and procedures. [Emphasis Added]

Many area commissions are designated as local agencies or administrative agencies of counties. Nevertheless, the purpose of the area commissions is to provide governance at the local level for institutions, subject to State jurisdiction and control.

The General Assembly's intention to treat the technical colleges as State agencies is supported by the aggregate appropriations for them in the State TEC Board's section of the Appropriation Act. Technical colleges are designated public institutions of higher learning under laws governing the CHE. They are also designated State institutions under State institution bond laws.

The Audit Council requested clarification of jurisdictional issues from the Attorney General's Office. An opinion dated September 6, 1983, confirmed the following:

1. The State TEC Board has powers of administration and enforcement over the technical education system.

2. Area commissions are given powers of local governance for the institutions; however, their powers cannot be exercised in violation of appropriate State TEC Board and state-level policies and procedures.
3. Expenditure of area commissions' money, regardless of its source, is limited by the powers given to the State TEC Board to approve budgets and over other special objects of area commission expenditures.
4. The State TEC Board's responsibility includes the state-level development and operation of high quality programs financed in whole or in part by State funds. Therefore, accountability powers (i.e., the "state of being responsible or answerable") should extend to the State TEC Board's adoption of policies that assure that the area commissions fulfill their responsibility to maintain those high quality standards at their respective institutions.

In conclusion, the opinion addresses the relationship between the State TEC Board and the area commissions in terms of spending authority as follows:

A reasonable conclusion about spending that can be drawn ... is that, where expenditures of funds by the commissions are not restricted by legitimate, applicable State Board policy, or state or federal law and budgetary approval is obtained, the expenditures may be made at the discretion of the local commissions regardless of the source of the funds.

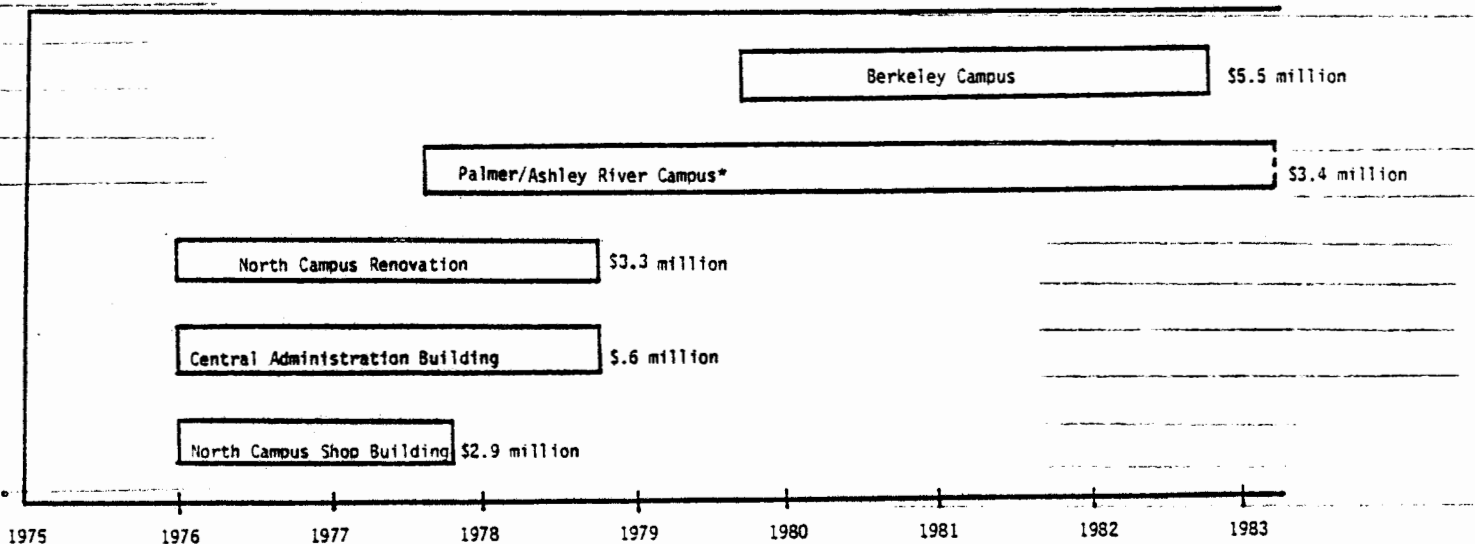
The absence of a precise line between the authority of State and local entities over the technical institutions makes characterization of the institutions as State or local under various provisions and regulations more difficult. Those matters should be resolved by legislative action.

CHAPTER II
MANAGEMENT OF CAPITAL IMPROVEMENTS

Background

In accordance with the law, area commissions acquire sites and construct and equip facilities for technical colleges. Real property is the possession of the area commission regardless of the source of funds for its purchase or construction. From FY 76-77 through FY 81-82, Trident TEC spent approximately \$16 million on major modifications and new construction as shown in Figure 1.

FIGURE 1
TRIDENT TECHNICAL COLLEGE
MAJOR CONSTRUCTION AND RENOVATION PROJECTS
1976 TO 1983



*Construction on the Ashley River Campus was suspended in April 1980 and has not been completed.
Source: Trident Technical College records.

The following is a brief description of the College's construction history at the three campus sites: North, Palmer/Ashley and Berkeley.

(1) North Campus

During FY 76-77 and FY 77-78, the Area Commission of Trident TEC approved the expenditure of approximately \$7 million on construction and renovation projects in and around the North Campus. Expenditures included construction of a classroom/shop building for \$2.9 million, renovation of existing buildings and a number of additional projects totaling approximately \$3.3 million, as well as construction of a separate Central Office Building for \$645,000 (see p. 62).

A review of State TEC Board minutes from 1974 through the construction period shows no approvals given for the North Campus renovation or Central Office Building construction at Trident TEC. No other documentation was available for review. However, a 1975 State TEC Board policy requires that TECs submit applications and approval requests for construction projects prior to any expenditure of funds. Officials at the State TEC Board have stated they did not approve locally funded projects, which were viewed as "strictly a local matter," until about 1978.

According to the State Engineer, his office had no involvement with Trident TEC's renovation or central office construction projects. However, State Budget and Control Board Regulations, approved in 1961, appear to require that the College involve him. The regulations state:

The State Budget and Control Board is directed by law to assume general supervision over all expenditures for Permanent Improvements by all State Agencies...

It is important to note that the source of funds to finance a project has no bearing on the determination of whether or not the Board's procedure is applicable.

During the mid-1970's, Trident TEC initiated construction of two major satellite campuses, the Palmer Campus on the Ashley River in downtown Charleston and the Berkeley Campus outside Moncks Corner.

(2) Palmer/Ashley River Campus

Trident TEC had been pursuing options to relocate the downtown Palmer Campus since the College's merger with the private Palmer College in 1973. As part of the agreement, the Palmer College Corporation donated land, buildings and equipment in Charleston valued at \$788,505 to the State TEC system for use by Trident TEC. The merger was approved by the Berkeley, Charleston and Dorchester County Legislative Delegations with the stipulations that no local funds be involved in the action and "that the Charleston Campus of Palmer College not be expanded at its present location and [be] relocated at the earliest practical date in an area of or near the peninsular city not designated historic..." Trident TEC purchased a 13-acre tract of land on the Ashley River in downtown Charleston in 1975 as a relocation site for the Palmer College and began construction of the project in 1978.

The Ashley River project was halted in April 1980 due to extensive problems during construction and has not been completed. The College has been involved in arbitration and a civil court suit to try to recover some of the costs. As of May 1983, \$123,260 remained of the \$3.5 million in construction funds authorized for the Ashley River campus.

(3) Berkeley Campus

In 1976, Trident TEC purchased 35 acres of land outside Moncks Corner, approximately 18 miles northeast of the North Campus. Area Commission minutes state that the \$73,500 purchase of the land did not commit the College to construction of a campus on that site in Berkeley County. The Area Commission also went on record that the relocation of the Palmer Campus was to take priority over a satellite campus in Berkeley County. However, construction of the Berkeley Campus began in 1981. Opened in 1982 Fall Quarter, the Berkeley Campus was built at a cost of approximately \$5.5 million funded by State capital improvement bonds.

Because procedures for recording the North Campus renovation and Central Office construction projects were not followed, records were not available at the State TEC Board or through the State Engineer for review. Records at Trident TEC were not adequate to permit a detailed study. As noted on page 19, State law has required that all agencies submit construction projects for State approval. Since 1980, provisions of State law have been consolidated and now require that the State Budget and Control Board and the Joint Bond Review Committee, as well as the Commission on Higher Education, be involved in each project proposal and justification.

The Audit Council reviewed in detail the two major satellite construction projects (Ashley River and Berkeley campuses) of Trident TEC and found several problems with the handling of these projects: (1) questionable use of capital improvement bonds; (2) construction of the Berkeley

Campus was not justified; (3) poor planning caused over \$700,000 of unnecessary construction costs; (4) no local match was provided for State bond funds as required by law; (5) State laws regarding project approval and architect selection were not followed; and (6) Trident TEC students have paid more tuition than necessary to fund the Ashley River campus construction.

Questionable Use of \$4 Million Bond Issue

Trident TEC misrepresented a request for State capital improvement bonds, using the funds for a project other than that presented as their intention to the State TEC Board. Trident TEC received \$4 million to reimburse costs of relocating Palmer College (in the peninsular city area) but used the funds to finance construction of the Berkeley Campus. Since the State funding received for Palmer was used for Berkeley, Trident TEC students have been forced to pay a quarterly tuition fee to finance the Palmer Campus relocation.

The Audit Council reviewed files of the Budget and Control Board, Joint Bond Review Committee, State Engineer's Office, State Treasurer's Office, State TEC Board and Trident TEC. The history of this bond issue was traced from requests by Trident TEC through actions of each of the above entities. Correspondence, minutes, required forms for project approval (E-1 Form) and project status reports were included in the review and analysis of this issue.

Trident TEC secured State financing for construction of the Berkeley Campus by requesting funds to reimburse the College for expenses incurred in the relocation of the Palmer Campus in downtown Charleston. A February 14, 1979 resolution adopted by the State TEC Board states:

...the State Board for Technical and Comprehensive Education recognizes an intent to provide state funds for the relocation of the Palmer Campus.

...the State Board for Technical and Comprehensive Education respectively [sic] requests that the Budget and Control Board include in its recommendations to the General Assembly for State Capital Improvement Bonds a sum of \$4 million to reimburse Trident Technical College for expenses incurred in the relocation of the Palmer Campus.
[Emphasis Added]

This justification of capital improvement funds for Trident TEC was repeated in the State TEC Board's June 1979 capital improvement bond request to the State Bond Study Committee. The 1979 Capital Improvement Bond Act then authorized \$4,000,000 in State capital improvement bonds to Trident TEC for "Reimbursement of Costs of Relocating Palmer College."

However, approximately six months prior to the \$4 million authorization, Trident TEC had received \$3.5 million in State institution bonds to "relocate Trident TEC's Palmer College Campus." State institution bonds, which require students to fund the construction through tuition fees, were issued in March 1979. Rather than reimbursing the parties who were paying for the Palmer tuition bonds (the students), Trident TEC used the \$4 million capital improvement bond funds received in August 1979 to fund construction of the Berkeley Campus. The College had requested the State capital improvement bond funds for the Palmer relocation so that students would not have to fund the Palmer/Ashley River construction through State institution bonds. A December 1977 letter from the Trident TEC Area Commission Chairman to the State TEC Board stated:

I am writing to... formally request, once again, that the State Board reaffirm its position of placing the capital money request for the above listed project [Palmer Campus] as the number one priority for the entire state system in 1978.

...As you also know, we are using student fees as security for a \$3 million bond issue which the State Board has requested for us. We feel that it is unfair to ask students to pay for this campus in view of the commitment by the State.
[Emphasis Added]

However, correspondence after the \$4 million in State funds was received indicates that Trident TEC intended to use the Palmer funds for the Berkeley Campus. An October 24, 1980 letter from the Trident TEC President to the State TEC Board regarding the \$4 million State capital improvement bond issue states:

At the time the [\$4 million in State capital improvement] bonds were requested, it was understood that Trident Technical College would use a student tuition levy to retire the [State institution] bonds for Palmer Campus and use the State [capital improvement] bonds to construct a needed campus in Berkeley County.

Likewise, an April 10, 1981 letter from the Trident TEC Area Commission Chairman to the State Budget and Control Board discussing the Berkeley Campus states:

...in 1979 the State Capital Improvement Bond Act contained an allocation of \$4 million dollars for Trident Technical College, which the Area Commission of Trident Technical College designated as funds for the construction of that [Berkeley] campus.
[Emphasis Added]

It is well established that the power to appropriate State money is a legislative power and that the power to appropriate funds for other than the designated purpose rests in the Legislature. Act 1377 of 1968, Section 18, relating to the issuance of State Capital Improvement Bonds states:

¹The request for \$3 million in State institution bonds was later increased to \$3.5 million.

The proceeds derived from the sale of State Capital Improvement Bonds shall be applied only to the purposes for which the bonds are issued.

For example, on a separate issue in response to a State TEC Board request to use equipment bond money for construction instead, the Budget and Control Board stated they "could not change the purpose for which bond funds are authorized..."

The 1979 bond act stipulates that the \$4 million is to be used to reimburse Palmer relocation costs. The Audit Council could find no specific authorization from the Legislature for Trident TEC to use the \$4 million for the Berkeley Campus. Minutes of the March 1, 1979 meeting of the Budget and Control Board reflect a discussion of Trident TEC's request of \$4 million as a reimbursement of the costs of relocating the Palmer College Campus in Charleston. According to officials of the Budget and Control Board and the State TEC Board, in their opinion, it was known at the time of the bond authorization that Trident TEC intended to use the funds to construct the Berkeley Campus. These officials told the Audit Council that the term "reimbursement," which has not been used in any other capital improvement bond issues of the State, in their opinion, allowed Trident TEC to designate and use the funds for the Berkeley Campus.

If the legislative intent was that the \$4 million be used for construction of the Berkeley Campus, then such intention could have been stipulated in the capital improvement bond authorization.

The questionable use of the \$4 million bond issue resulted from a lack of oversight of technical college capital projects. Neither the Trident TEC Area Commission nor the State TEC Board ensured that funds were used as requested by the College. The Commission on

Higher Education (CHE) was unable to ensure proper use of funds because that body was specifically excluded by Section 59-103-110 of the South Carolina Code from reviewing both the Berkeley and Palmer Campus construction projects.

Since the State funding authorized for reimbursement of the costs of Palmer's relocation was used for the Berkeley Campus, Trident TEC students have been required to fund the abandoned Ashley River project through tuition fees. Effective with the 1977 Fall Quarter, Trident TEC imposed a tuition fee of \$25 per quarter for each full-time student and \$2.50 per part-time hour to fund the Ashley River project through State institution bonds. Principal and interest on the \$3.5 million State institution bonds total over \$5.3 million, which is to be funded by student tuition fees until maturity of the bonds in 1995.

RECOMMENDATIONS

THE STATE TEC BOARD SHOULD ENSURE THAT CAPITAL IMPROVEMENT FUNDS FOR TECHNICAL INSTITUTIONS ARE USED AS AUTHORIZED BY THE GENERAL ASSEMBLY.

THE COMMISSION ON HIGHER EDUCATION SHOULD REVIEW CONSTRUCTION PROJECTS OF ALL INSTITUTIONS OF HIGHER LEARNING AS OUTLINED IN SECTION 59-103-110 OF THE 1976 SOUTH CAROLINA CODE OF LAWS. THE GENERAL ASSEMBLY SHOULD CAREFULLY CONSIDER THE RAMIFICATIONS OF GRANTING EXCLUSIONS TO THIS SECTION.

No Justification For Berkeley Campus

Trident TEC has constructed a \$5.5 million satellite campus outside Moncks Corner in Berkeley County that was not justified. The FY 82-83 average quarterly enrollment at the Berkeley Campus was less than 24% of its designed capacity. The Berkeley Campus has had an average enrollment of approximately 4% of the College's full-time-equivalent enrollment.

The Audit Council's review indicated that the unnecessary construction of the Berkeley Campus occurred because (a) Trident TEC provided inaccurate information from outside studies to justify the construction, (b) Trident TEC did not adequately present information that questioned the need for the Campus, and (c) the State TEC Board gave approval for the construction without analyzing the need for the Campus. Some illustrations of these problems follow.

(a) Inaccurate Information Provided

Trident TEC's development plan for the Berkeley Campus inaccurately cited consultants' reports as justification of the need for a Berkeley Campus. For example, the 1979 Trident TEC Berkeley Plan states:

The basis for expansion discussion was provided in a 1973 study, conducted for the Area Commission by Dr. Joseph Nerden and Associates, which indicated that a campus was needed in the area, with Moncks Corner as a possible location.

The Audit Council's review of the Nerden study found that it does not point to Moncks Corner as a permanent campus but recommends the area as one of five nonpermanent satellite centers. The Nerden study also states:

...when 1,000 or more enrollees are being regularly served [in a satellite center], the area should receive consideration as the location of a permanent campus.

Trident TEC opened an extension center in Moncks Corner in 1974. Duplicated enrollment, or the total of seats filled by all classes, at the Trident TEC Moncks Corner extension center totalled 149 in 1976 Fall Quarter and steadily declined to a duplicated enrollment of 19 in 1981 Fall Quarter.

The Trident TEC Berkeley Campus Plan also notes that the Master Development Plan from 1975 to 1985 by Lyles, Bissett, Carlisle and Wolfe (LBC&W study) "has guided the development of physical facilities" at the College. However, the LBC&W study does not call for a permanent campus in Berkeley County. The LBC&W study states:

Extension centers offer the College a significant opportunity to develop increased enrollments without additional construction cost...

There are no specific recommendations in this plan for creating major satellite campuses of the College during the plan period...

(b) Data Inadequately Presented

Trident TEC did not adequately present available data that indicated there was little need for a Berkeley County campus. The Trident TEC Berkeley Plan did not include data from a September 1978 survey of Berkeley-Dorchester high school students conducted by Trident TEC, which indicated limited interest in a Berkeley campus. When asked where they would attend class if they were to enroll at Trident TEC, the majority (63%) of the high school students in the Berkeley Campus service area preferred the North

Campus, with 29% preferring a Berkeley Campus and 8% the Palmer Campus downtown. This information was part of the November 1978 Summary of the Berkeley Campus Plan presented by Trident TEC staff to the Area Commission but was not contained in the Berkeley Campus Plan submitted to the State TEC Board in April 1979. The 1979 Berkeley Campus Plan did not examine the need for the campus but was an analysis directed toward programs. The Berkeley plan "assumed" that a campus would be located on a 35-acre tract of land Trident TEC purchased outside Moncks Corner in 1976.

The Trident TEC Director of Institutional Research notified the President by memorandum in July 1979 that "the Extension Center that is losing students most rapidly is Moncks Corner," with enrollment declining 62% from FY 76-77 to FY 78-79. The Trident TEC administration disregarded the low enrollment figures at the Moncks Corner extension center, as well as duplicated enrollment at the Summerville extension center in Dorchester County that grew 116% during the same period.

Construction on the Berkeley Campus began in May 1981. At an October 1981 Trident TEC Area Commission meeting, it was noted that the Berkeley Campus would need a minimum of 650 new full-time-equivalent students (FTE) in order to open in 1982 Fall Quarter. It was not until April 1982 that the College performed a follow-up study of local demand for the Berkeley Campus. The April 1982 survey of 1,500 Berkeley County high school seniors performed by Trident TEC's recruiting office indicated that enrollment during the 1982 Fall Quarter opening of Berkeley Campus would

not reach the Area Commission's minimum requirements. Of the 1,007 Berkeley area seniors responding to the survey, 229 (23%) planned to attend technical college; 112 planned to attend the North Campus and 93 planned to attend the Berkeley Campus.

(c) Information Not Verified by State TEC Board

The State TEC Board did not verify information submitted by Trident TEC or perform additional analysis on the Berkeley Campus. The State TEC Board has detailed procedures for reviewing TEC system capital improvement projects, including analysis of facility utilization based on current need and projected growth as well as an on-site team visit by the State TEC Board staff. However, the State TEC Board did not provide the Audit Council with any utilization studies of Trident TEC facilities. In response to an Audit Council request for Trident TEC facility utilization studies on file, the State TEC Board stated by letter April 8, 1983:

Trident Technical College has their own computer capability and consequently they run their own facility utilization reports. The facility utilization at the North Campus would be of no value in determining the need for an additional campus in Berkeley County since space limitation was not really a consideration.

The State TEC Board provided no evidence of staff studies or on-site visits to determine the need for the Berkeley Campus. The April 8, 1983 State TEC Board letter to the Audit Council stated:

...We are very active in the economic development of the state; therefore, our staff was familiar with the growth which has taken place in the last eight years in the Berkeley County area... With this background, we did not feel the necessity to verify the demographic information submitted in the plan...

...the staff reviewed the proposed program offerings and could find no serious flaws in the data.

The 75,000 square foot Berkeley Campus was designed for approximately 1,000 students. As Table 7 indicates, during FY 82-83 the Berkeley Campus had an average quarterly enrollment of 237 students, less than 24% of the expected enrollment of 1,000 students. During the year, the Berkeley Campus had an average FTE of 173 students per quarter, or approximately 4% of the College's FTE.

TABLE 7
TRIDENT TECHNICAL COLLEGE
FY 82-83 AVERAGE QUARTERLY ENROLLMENT¹

<u>Campus</u>	<u>Headcount²</u>	<u>FTE³</u>	<u>Percent of College FTE</u>
Berkeley	237	173	4
North	3,692	2,755	69
Palmer/Buist ⁴	754	585	15
Extension Centers	943	500	12
TOTAL	<u>5,626</u>	<u>4,013</u>	<u>100%</u>

¹Includes 1982 Fall, 1983 Winter and 1983 Spring Quarters.

²The number of full-time and part-time students.

³Full-time-equivalent enrollment.

⁴In FY 82-83, Trident TEC also used the Buist public school for its downtown Charleston operation.

Source: Trident TEC Student Profile Analysis records.

In the 1983 Fall Quarter, Berkeley Campus enrollment remained at approximately 4% of the College's FTE, with a headcount enrollment of 221 students and 148 FTE.

Less than half (45%) of the seats available were filled in classes held at the Berkeley Campus during the 1982-83 school year. This does not include classes that were offered and then dropped due to inadequate demand. For example, see "Science Labs," page 35. In contrast, the North and Palmer campuses had seats available enrollment rates of 71% and 66% respectively for classes held during the year.

The Trident TEC March 1983 "Peninsula Campus Planning Study" estimated the FY 82-83 cost of operating the Berkeley Campus at \$6,013 per full-time-equivalent student, almost three times the cost per FTE of operating the Palmer/Buist facilities.

Conclusion

In conclusion, the State TEC Board should have more adequately researched the need for the Berkeley Campus before approving the construction. Trident TEC should not have begun such a large-scale construction project after receiving data that questioned the need for the facility. State funds totaling \$5.75 million have been committed or spent for construction of the Berkeley Campus.¹ In addition, State funds, local tax dollars and student fees are obligated to cover future operating costs of the Campus. Local county governing bodies and legislative delegations provide for plant support costs to institutions. Over \$846,000 was budgeted to cover operating costs for the Berkeley Campus in FY 83-84. In addition, construction of the Berkeley Campus has added to college-wide difficulties in adequately equipping instructional programs (see p. 57 regarding equipment expenditures). After two years of considerably reduced State equipment allocations to Trident TEC, in FY 80-81 and FY 81-82, 64% of FY 82-83 inventoried equipment expenditures were used to equip Berkeley Campus.

Trident TEC and the State TEC Board were established to provide a trained workforce in the State. Capital improvement funds in the

¹As of May 1983, \$5.5 million had been spent on Berkeley Campus construction. A total of \$5.75 million has been committed for construction of the campus.

State TEC system should be directed to areas where need is adequately demonstrated. Although substantial industrial growth had taken place in Berkeley County, demand for technical education in the area was not adequate to justify construction of the 75,000 square foot Berkeley Campus of Trident TEC. The College must now assess alternatives and develop a plan for more effective use of the Berkeley Campus. The campus could, for example, become Trident TEC's center for continuing education and all Special Schools training. College officials should meet with the State TEC Board and representatives of business and industry in Berkeley County to determine how the facility can best be used. Consideration of alternative uses for the Berkeley Campus should take into account a college-wide decline in enrollment of approximately 25% from 1982 Winter Quarter to 1984 Winter Quarter. (See specific recommendations on p. 37.)

Unnecessary Construction Costs

Aside from the lack of justification for the Berkeley Campus construction, the following examples illustrate over \$700,000 in unnecessary construction costs incurred at the Berkeley Campus as a result of poor planning and inadequate demand.

Cosmetology Lab

Trident TEC spent \$113,900 constructing a cosmetology lab at the Berkeley Campus which is not used as intended because the cosmetology program was not offered by the College.

Construction on the Berkeley Campus began on May 1, 1981. As early as May 1981, Trident TEC was notified by area legislators of

negative reactions from the private sector regarding the College's intention to offer a cosmetology program at the Berkeley Campus. Trident TEC responded that a 1978 program study, as well as a 1981 reassessment, indicated a need for cosmetologists in the area. Trident TEC's 1981 study found that 80% of cosmetology employers in the Trident area felt there was a shortage of well-trained cosmetologists. The College's research indicated a need for 271 additional cosmetologists in 1982 and 1983-84 as a result of business growth and turnover.

Trident TEC's cosmetology program proposal was not submitted to the State TEC Board for approval until January 1982. At the January 20, 1982 meeting of the Education Committee of the State TEC Board, the Coordinator of Special Projects was directed to reassess the job market for cosmetologists in the Trident TEC area and to investigate the concerns raised by private cosmetology schools in Charleston. The July 15, 1982 State TEC Board validation study found:

The projected job openings for graduate junior cosmetologists in 1983-84 do not clearly support a need for another cosmetology school in Berkeley, Charleston and Dorchester counties. The projected supply of graduates exceeds the projected job openings.

After reviewing these results, Trident TEC withdrew the proposal for a cosmetology program. By this time, brochures had been printed and distributed to promote the cosmetology program, and construction on the Berkeley Campus was near completion.

There was a lack of adequate study and planning as to programs to be offered at the Berkeley Campus. Trident TEC did not submit the proposal for approval of the cosmetology program until eight months after construction began. The State TEC Board has no procedures for coordinating program proposals with new construction. Requiring

review and approval of new programs before the onset of construction could save substantial building costs.

Construction of the Berkeley Campus cosmetology lab resulted in unnecessary expenditures of \$113,900. The cosmetology lab occupies 1,700 square feet of space and consists of an office, dispensary, dressing room, restroom and classroom with three special sinks, all built to meet specifications of the South Carolina State Board of Cosmetic Art Examiners. No classes were held in the cosmetology lab in 1982 Fall Quarter. In 1983 Winter and Spring Quarters, the room was used for some industrial electricity courses.

Science Labs

Trident TEC spent \$351,281 constructing and equipping two sophisticated science labs at the Berkeley Campus which have not been used for science curriculum courses because of low demand. The chemistry and physics labs, including two preparation rooms, were constructed at a cost of \$196,896. As of March 1983, equipment and other start-up costs for the 2,344 square feet of lab space totaled \$154,385.

Carpentry Lab

The Berkeley Campus carpentry lab contains an industrial paint booth, which was built in error and is not used. The paint booth cost \$17,364 to construct. In addition, the carpentry program was one of six programs suspended by the Trident TEC Area Commission in March 1983. The remaining students completed the program by 1983 Fall Quarter. The 2,270 square foot Berkeley carpentry lab, which includes

sanding, finishing and painting rooms, was constructed at a total cost of \$152,090.

Drafting Lab

An \$84,621 drafting lab was built at the Berkeley Campus for a construction management program which was not offered by the College. Trident TEC planned to offer an associate degree in Construction Management Technology but cancelled the proposal after research questioned the need for the program. In FY 82-83, the lab was used for only three courses (plumbing, mathematics and industrial electricity). The 1,263 square foot drafting lab contains a sink, cabinets and storage rooms designed for drafting courses.

Excess Carpet

Trident TEC spent \$67,031 on carpet for the Berkeley Campus and later decided to change approximately one half of the carpeted areas to vinyl tile, resulting in 2,780 square yards of excess carpet.

Although not set for installation until Spring 1982, the carpet was purchased for the Berkeley Campus in May 1981 at \$9.37/square yard excluding labor. According to Trident TEC officials, the carpet was available at a reduced price and, therefore, was purchased earlier than necessary. In September 1981, the College deleted carpet from the classrooms at Berkeley. Trident TEC delayed taking action on the excess carpet. In July 1982, a credit of \$18,209 (\$6.55/square yard excluding labor) was negotiated by the carpet contractor. The Area Commission did not accept the July offer and again refused the offer in September 1982, accepting only a credit for the labor costs they had

paid. In November 1982, Trident TEC turned the carpet over to the State Division of General Services for disposal as excess property. By this time, the warranty on the carpet had expired. The carpet is being disposed of piecemeal at \$5.00/square yard.

As a result of this poor planning, Trident TEC spent \$26,049 for unneeded carpet for the Berkeley Campus, resulting in months of staff time in resolving the problem and a loss of approximately \$12,000. An additional cost of \$24,790 was also incurred to substitute vinyl tile for carpeted areas.

A review of the Berkeley Campus construction indicates a lack of adequate study and planning as to programs and facility requirements. Facilities should not be constructed for programs that have not been approved. The Berkeley Campus has been built and expenditures unnecessarily made.

RECOMMENDATIONS

THE STATE TEC BOARD SHOULD REQUIRE THAT ALL PROGRAM PROPOSALS BE SUBMITTED BY THE TECHNICAL COLLEGE BEFORE CONSTRUCTION BEGINS ON NEW FACILITIES OR MODIFICATION OF EXISTING FACILITIES. THE TECHNICAL COLLEGES, STATE TEC BOARD AND THE COMMISSION ON HIGHER EDUCATION (FOR ASSOCIATE DEGREE PROGRAMS) SHOULD MAKE FINAL DECISIONS ON NEW PROGRAMS BEFORE CONSTRUCTION EXPENDITURES ARE MADE.

TECHNICAL COLLEGES SHOULD SUBMIT PLANS FOR NEW FACILITIES OR MAJOR MODIFICATIONS OF FACILITIES TO THE LEGISLATIVE DELEGATIONS OR COUNTY GOVERNING BODIES WHO PARTICIPATE IN THE FUNDING OF THE TECHNICAL INSTITUTIONS TO ENSURE THAT THE LOCAL AREA CAN PROVIDE THE NECESSARY OPERATING FUNDS FOR THE FACILITIES.

THE TRIDENT TEC AREA COMMISSION AND ADMINISTRATION SHOULD ASSESS ALTERNATIVES AND DEVELOP A PLAN FOR MORE EFFECTIVE USE OF THE BERKELEY CAMPUS.

Local Match For State Bond Funds Not Provided

Trident TEC did not provide a 20% local match for \$4 million in State capital improvement bond funds received in 1979, resulting in an \$800,000 overexpenditure of State funds.

Through Act 194 of 1979, Trident TEC received \$4 million in State capital improvement funds as a reimbursement of the costs of relocating Palmer College. The funds were used instead to finance construction of the Berkeley Campus (see p. 22). In 1981, the General Assembly authorized an additional \$1.75 million for construction and equipment for Trident TEC, resulting in a total budget of \$5.75 million for the Berkeley Campus construction. However, the \$1.75 million supplemental capital funds were frozen and not set for release until at least 1984.

Section 59-53-57 of the 1976 South Carolina Code of Laws addresses State funding for the State TEC Board:

The Board and institutions shall be eligible to receive State funds for capital facilities. To qualify, a minimum of twenty percent of the cost of such facilities shall first be provided by the local support area.

Trident TEC did not provide a 20% local match for State bond funds received. The Vice President for Finance and Administration of Trident TEC stated that he was unaware of the requirement of a 20% local match for State capital improvement funds. State TEC Board officials stated that Trident TEC had received an exemption from the Budget and Control Board but were unable to document the exemption. Officials of the Budget and Control Board could find no specific exemption for Trident TEC.

The State TEC Board should have certified to the State Treasurer that a minimum of 20% of the cost of the project was provided by the local support area of Trident TEC. Due to inadequate oversight by the State TEC Board and insufficient coordination between the State TEC Board and the Budget and Control Board, \$800,000 in State resources that should not have been used was committed and spent.

The Audit Council has been advised by legal counsel that "Trident TEC remains bound by Section 59-53-57 [of the South Carolina Code] and the local match of 20% is required prior to the release of the \$1.75 million."

RECOMMENDATIONS

THE STATE TEC BOARD SHOULD ENSURE THAT
ALL TECHNICAL COLLEGES PROVIDE A MINIMUM

OF 20% OF THE COST OF CAPITAL PROJECTS FROM THE LOCAL SUPPORT AREA BEFORE RECEIVING STATE FUNDS FOR CAPITAL FACILITIES. THE STATE TEC BOARD SHOULD TRANSMIT TO THE STATE TREASURER A CERTIFICATE SHOWING COMPLIANCE WITH THE 20% MINIMUM REQUIREMENT OF LOCAL SUPPORT FROM THE APPROPRIATE OFFICIAL AT SUCH TECHNICAL COLLEGES.

BEFORE RELEASE OF THE \$1.75 MILLION IN CAPITAL IMPROVEMENT FUNDS AUTHORIZED FOR TRIDENT TEC BY ACT 179 OF 1981, STATE TEC BOARD SHOULD CERTIFY TO THE STATE TREASURER THAT THE COLLEGE HAS PROVIDED THE 20% LOCAL MATCH REQUIRED BY SECTION 59-53-57 OF THE 1976 SOUTH CAROLINA CODE OF LAWS.

Improper Architect Selection and Project Approval

Trident TEC did not follow State laws or procedures for architect selection or project approval for construction of the Palmer Campus on the Ashley River site. By the time the College received State approval, \$2,244,732 had been expended on the project, including \$158,115 to the architect.

Trident TEC signed a contract with the architect for the Ashley River campus August 31, 1977 but did not present the firm for Budget and Control Board approval until December 18, 1979. College records

indicate that 35% of the architectural work had been completed before Trident TEC and the architect signed the formal agreement, with 92% of the work completed before the College requested approval from the Budget and Control Board for use of the architect. The Budget and Control Board approved the architect selection on January 22, 1980, less than three months before the project was abandoned.

Section 10-5-70 of the 1976 South Carolina Code of Laws, which governed architect and engineering firm selection at that time, stated, in part:

The agency shall submit the name of the selected firm and a tentative contract to the State Budget and Control Board for approval and shall submit a list of the other firms considered.

Section 10-5-80 stated:

...The agency shall not enter into a contract for architectural or engineering services without the approval of the Budget and Control Board.

Trident TEC also did not submit the "Application for Approval of a Permanent Improvement Project" (E-1 Form) until December 18, 1979, receiving approval January 14, 1980. Trident TEC had entered into a contract with the general contractor in September 1978, and construction had begun on the project the following month. In a letter forwarding the architect contract, the E-1 Form and other documents to the Budget and Control Board for approval, the State TEC Board Fiscal Affairs Coordinator stated:

This project was started with local funds prior to the issuance of institutional bonds. As is indicated by the supporting documentation, the approvals requested are after the fact. The initiation of the project from local funds would not have required the Budget and Control Board approvals.

Trident TEC had been setting aside tuition fees since 1977 in anticipation

of using State institution bonds to fund the project. The State institution bonds were issued in March 1979, nine months before the project received State Budget and Control Board approval. During this time, the College was also requesting State capital improvement bonds for the project. Nevertheless, State regulations apply regardless of the source of funding. Section 11.01 of the Budget and Control Board Permanent Improvement Manual adopted in 1961 states:

It is important to note that the source of funds to finance a project has no bearing on the determination of whether or not the Board's procedure is applicable.

Trident TEC has not complied with State laws regarding architect selection and project approval. The State TEC Board has not adequately monitored Trident TEC's construction projects. The Commission on Higher Education, which normally must review construction projects of the local technical education colleges, was specifically excluded from oversight of the Ashley River Campus construction by Act 410 of 1978.

By the time Trident TEC requested State approval of the Ashley River campus project and the architect, \$2,244,732 had been expended on the project, including \$158,115 to the architect. The project was halted in April 1980 due to extensive problems during construction. The College has been involved in arbitration and court suits against the architect and contractor since 1980. Following proper State approval procedures, which include oversight by the State Engineer, might have reduced the construction problems and would have at least prevented the clause in the contract calling for arbitration to settle disputes. The State specifically excludes arbitration as a method of settling disputes in its construction contracts. Trident TEC paid \$59,194 in costs to the American Arbitration Association, and had incurred a total of over

\$980,000 in costs related to the arbitration and court action as of June 1983.

RECOMMENDATION

TRIDENT TEC SHOULD FOLLOW STATE LAWS AND POLICIES FOR ALL CONSTRUCTION PROJECTS. THE STATE TEC BOARD SHOULD ENSURE THAT STATE POLICIES AND PROCEDURES ARE BEING CARRIED OUT BY THE LOCAL AREA COMMISSIONS AND TECHNICAL COLLEGES BY MORE STRICTLY MONITORING CONSTRUCTION PROJECTS FOR COMPLIANCE.

Excessive Tuition Fees For Construction

Trident TEC students have paid more tuition fees than necessary for the State institution bonds used to fund the Ashley River campus construction. As of April 1983, \$1,198,333 in excess tuition fees had been paid by Trident TEC students. College officials did not attempt to lower the tuition fees or to pay off the bonds prior to the original 18-year schedule of payments.

When Palmer College merged with Trident TEC in 1973, one of the priorities of the merged institution was the relocation of the Palmer Campus. The South Carolina Budget and Control Board approved the issuance of \$3.5 million in State institution bonds (funded through "tuition fees") for construction of the new Palmer Campus on the Ashley River site in December 1978. Principal and interest on the bonds total

over \$5.3 million, which is to be funded by student tuition fees until maturity of the bonds in 1995. Trident TEC was the only technical college receiving institution bond proceeds for construction as of Spring 1983. From the 1977 Fall Quarter through FY 81-82, Trident TEC students had paid \$2,119,466 in tuition fees for payment of the Ashley project bonds.

Each full-time Trident TEC student's quarterly fees of \$175 include a \$25 tuition fee, which is set aside for institution bond payments, along with \$2.50 per hour for part-time students. Trident TEC remits the student tuition fees to the State Treasurer quarterly for payment of principal and interest on the State institution bonds.

Section 59-107-180 of the 1976 South Carolina Code of Laws governing State institution bonds requires the College to have on deposit sufficient funds to pay all principal and interest due for the current year and one additional year of the bonds. Tuition fees on deposit exceeding these requirements can be used to retire the bonds early or, under certain conditions, can be used for one or more of the following purposes outlined in Section 59-107-40 of the South Carolina Code:

- (a) to construct, reconstruct, maintain, improve, furnish and refurnish the buildings and other permanent improvements for such state institutions;
- (b) to defray the costs of acquiring or improving land needed as sites for such improvements or for the campus of any such state institution; or
- (c) to reimburse such institution for expenses incurred in anticipation of the issuance of such bonds...

As a result, Trident TEC was allowed to borrow surplus fees collected for Ashley construction, instead, to help complete the new Berkeley Campus in Moncks Corner. In December 1981, the Joint Bond

Review Committee authorized the College to use \$894,000 in surplus Ashley River tuition fees (which was the total surplus at that time) for construction costs of the Berkeley Campus, as a temporary measure until \$1.75 million in State capital improvement funds are released (see p. 38).

Trident TEC officials did not attempt to lower the tuition fee remitted to the State Treasurer for payment on the Ashley River bonds. The amortization schedule allows for quarterly payments over an 18-year period. State TEC Board and Trident TEC officials stated that the fee could not be changed or discontinued once implemented. However, Section 59-107-20 of the South Carolina Code gives the Area Commission the authority to set tuition fees with the approval of the Budget and Control Board. The South Carolina Code also provides that the tuition fees "shall be revised from time to time and whenever necessary to provide the annual principal and interest requirements..."

In addition, there is no policy or statute which provides for automatic discontinuance of the tuition fees at maturity or retirement of the bonds. Trident TEC would have to take action to halt the tuition fee deposits, which would require approval of the Budget and Control Board. Otherwise, the tuition fund will continue in perpetuity and could be used to fund future construction projects of Trident TEC.

Trident TEC can retire the institution bonds early by placing in a trust an amount of money that when invested at interest would be sufficient to meet the debt requirements. A second option for early retirement would only come into play after 1988, when a call provision in the bond resolution allows the College to call in outstanding bonds.

If the Ashley River site is sold, the funds could be used for early retirement of the bonds. The Audit Council has been advised by legal counsel that the sale of the Ashley River property is technically in conflict with paragraph 8 of the (bond) certification, which states that the project would not be sold or otherwise disposed of prior to maturity of the bonds. However, since the bond proceeds were used for the purpose intended, selling the property should not jeopardize the issuance of future State bonds.

Trident TEC could also put all arbitration or court settlement awards toward retirement of the bonds. In May 1982, the College received \$127,860 as an arbitration settlement from the architect on the Ashley River project. Although arbitration costs had been paid out of State institution bond money, the arbitration award received from the architect was deposited in the Trident TEC capital improvement account.

RECOMMENDATIONS

THE TRIDENT TEC AREA COMMISSION SHOULD MAKE FORMAL PLANS TO RETIRE THE STATE INSTITUTION BONDS EARLY FOR THE PALMER CAMPUS CONSTRUCTION ON THE ASHLEY RIVER SITE. ALL ARBITRATION OR COURT-SETTLEMENT AWARDS, AS WELL AS PROCEEDS OF ANY PROPERTY SALES SHOULD BE APPLIED FIRST TOWARD RETIREMENT OF THE BONDS. ANY ADDITIONAL SETTLEMENT FUNDS RECEIVED SHOULD BE APPLIED, AS A NONRECURRING REVENUE SOURCE, TOWARD STRENGTHENING THE INSTRUCTIONAL PROGRAMS.

UPON RETIREMENT OF THE STATE INSTITUTION BONDS, THE TRIDENT TEC AREA COMMISSION SHOULD REQUEST THE BUDGET AND CONTROL BOARD TO ELIMINATE THE STUDENT TUITION FEE OF \$25 FOR EACH FULL-TIME STUDENT AND \$2.50 PER PART-TIME HOUR AND REDUCE QUARTERLY STUDENT FEES ACCORDINGLY.

Unauthorized Transfers Into Capital Improvement Accounts

The Audit Council's review of the handling of Trident TEC's capital improvement account revealed two state-wide problems: (1) the State TEC Board has not adequately monitored transfers of excess student fees into the capital improvement accounts (plant funds) of the technical colleges; and (2) the State TEC Board policy which allows these transfers into the capital improvement accounts is in violation of the 1983-84 Appropriation Act. As a result, Trident TEC and the other technical colleges could be charging excessive student fees. For example, Trident TEC student fees increased 75% from 1976 Fall Quarter to 1982 Fall Quarter. At the same time, the College was transferring over \$2.1 million in "excess" operating funds into its capital improvement account. Following is a discussion of these findings.

(1) Inadequate Monitoring of Transfers Into Capital Improvement Accounts

Trident TEC's capital improvement account is separate from the general operating fund of the college and receives funds from two main sources: year-end transfers of the operating account

fund balance, which consist of unexpended student fees, and interest income from investments of operating account funds and capital improvement account funds. The capital improvement account receives other miscellaneous sources of revenue, such as proceeds from the sale of unused land. State capital improvement and tuition bond funds are also received and expended through the capital improvement account.

Trident TEC has followed a practice of transferring each year's operational account fund balance into the College's capital improvement account. According to independent audit reports and Trident TEC capital improvement account records, the College transferred over \$2.1 million, or an average of approximately \$360,000 a year, from its operating account into its capital improvement account from FY 76-77 to FY 81-82. The transfers of excess revenues were made without authorization from the State TEC Board.

Other technical institutions have also neglected to notify the State TEC Board of transfers into their capital improvement accounts. The Audit Council's review of budget documents submitted by the local technical colleges showed transfers into the capital improvement accounts totaled over \$2.3 million for FY 80-81 and FY 81-82. None of these transfers were authorized by the State TEC Board.

State TEC Board policy 7-2-102 implemented March 9, 1977 states:

Tuition [student] fees in excess of budgeted operations of a Technical Education institution may be transferred into a capital improvement account, subject to prior approval of the Area Commission and the Executive Director [of the State TEC Board]. [Emphasis Added]

The State TEC Board has not enforced this policy. The Board did not verify the year-end operating account fund balances for Trident TEC or for other technical colleges. This should have been part of the State TEC Board staff's internal audit reconciliation. The State TEC Board is responsible for financial accountability in all school operations. The Trident TEC Vice President for Finance and Administration indicated that the College did not request permission to transfer excess operating funds into its capital improvement account because they were not aware of the requirement of State TEC Board approval.

(2) Transfer Policy Violates Appropriation Act

Additionally, State TEC Board policy which permits transfers of excess student fees into the colleges' capital improvement accounts violates Section 125 of the 1983-84 Appropriation Act, which states:

All departments, institutions and agencies of the State having revenue funds other than State appropriated funds available for operations, shall use such revenue before appropriations from the State's General Fund are expended or requisitioned.
[Emphasis Added]

A September 6, 1983 opinion by the South Carolina Attorney General states that the technical colleges are required to follow applicable State Board policies and State or Federal law (see p. 16).

The Audit Council has been advised by legal counsel that the above Appropriation Act proviso "contemplates" the use of such locally generated revenue as student fees before the use of State funds. This would eliminate transfers of excess student fees into the colleges' capital improvement accounts because student fees would have to be used for operations before State funds are used.

The technical institutions' practice of transferring "excess" revenues into local capital improvement accounts indicates that Trident TEC and other technical colleges could be charging excessive student fees. For example, in FY 81-82, \$430,443 in excess revenues were transferred by Trident TEC into its capital improvement account. This amounts to over \$90 per full-time-equivalent student, or approximately \$23 per student per quarter. During FY 81-82, Trident TEC students were also contributing \$25 per quarter for the Ashley River Campus State institution bonds and \$20 for an escrow account to be used for Ashley River Campus or Berkeley Campus construction costs. As a result, 45% (\$68 of \$150) of quarterly student fees at Trident TEC in FY 81-82 were set aside for capital improvement projects. In Fall 1982, Trident TEC raised student fees from \$150 to \$175. From 1976 Fall Quarter to 1982 Fall Quarter, Trident TEC increased student fees by 75%.

The State TEC Board sets the minimum and maximum rates for student fees. As discussed on page 136, the State TEC Board sets fees on a judgment basis rather than by cost analyses. By not monitoring transfers of student fees into the capital improvement accounts, the State TEC Board cannot determine if excessive student fees are being charged. Because the technical institutions have a reservoir of funds from accumulations in the capital improvement accounts, the institutions may not find it necessary to employ maximum efficiency in the management of student fees and other funds.

According to State TEC officials, the transfer policy was implemented to ensure that the local institutions could fund the capital expansion needed during the developmental stages of the TEC system. With enrollment in the TEC system stabilizing, future massive construction efforts should not be necessary.

Inadequate Handling of Capital Improvement Account

Trident TEC's handling of its capital improvement account (plant funds) needs improvement. One cause for the unauthorized transfers documented above is the lack of written procedures at Trident TEC covering the administration of the capital improvement account. The College has no written procedures for the capital improvement account which in FY 81-82 alone had over \$11 million in transactions.

For example, Trident TEC has no formal procedures for transfers into the capital improvement account, expenditures of State bond funds, payments to architects and contractors or approvals for change orders. College officials stated that capital improvement account funds are spent "at the pleasure of the Area Commission." According to Trident TEC officials, capital improvement account policies are documented in the minutes of Area Commission meetings held during the last 20 years rather than in the existing Trident TEC policies and procedures manual.

The Audit Council reviewed Trident TEC Area Commission minutes for official actions regarding transfers of operating funds into the capital improvement account. Transfers authorized in the Area Commission minutes do not correspond to transfers shown in Trident TEC Finance Division records and independent audit reports. According to the Trident TEC Vice President for Finance and Administration, approvals for all transactions might not be documented as he had expended funds on verbal approval from the Chairman of the Area Commission's Buildings and Grounds Committee.

The Area Commission has not required a strict accounting of capital improvement records by Trident TEC's Finance and Administration Division. Trident TEC's handling of capital improvement funds

has not been adequately monitored by the State TEC Board. Nor has the State TEC Board established uniform guidelines for the handling of capital improvement accounts.

Formal written policies are necessary to show the existence of an adequate system of controls. Area Commission decisions which are, in effect, College policy should be compiled in the policies and procedures manual or referenced to allow easy inspection. Section 59-53-51 of the 1976 South Carolina Code of Laws states:

The area commissions shall be delegated primary responsibility for local governance and supervision of the individual institutions in compliance with all state laws by adoption of appropriate local policies and procedures which are consistent with state-level policies and procedures. [Emphasis Added]

The State TEC Board is responsible for ensuring financial accountability in all operations of the State's technical education institutions.

Without formally established and written procedures, accountability for the efficient and economical use of capital improvement resources is reduced, which could allow fraud and abuse of resources. Transfers of hundreds of thousands of dollars are governed by no formal policies, nor have they been overseen by the appropriate authorities.

RECOMMENDATIONS

THE STATE TEC BOARD SHOULD ESTABLISH AND ENFORCE UNIFORM GUIDELINES FOR THE HANDLING OF CAPITAL IMPROVEMENT ACCOUNTS BY ALL TECHNICAL INSTITUTIONS. CAPITAL IMPROVEMENT ACCOUNT ACTIVITY SHOULD BE REPORTED IN DETAIL TO THE STATE TEC BOARD AT LEAST ANNUALLY AND CONSIDERED BY THE STATE TEC

BOARD WHEN ALLOWING STUDENT FEE INCREASES. THE STATE TEC BOARD SHOULD AMEND POLICY 7-2-102, WHICH ALLOWS UNLIMITED TRANSFERS INTO THE COLLEGES' CAPITAL IMPROVEMENT ACCOUNTS, TO ENSURE COMPLIANCE WITH SECTION 125 OF THE 1983-84 APPROPRIATION ACT.

THE TRIDENT TEC AREA COMMISSION SHOULD ESTABLISH WRITTEN POLICIES AND PROCEDURES FOR THE COLLEGE'S CAPITAL IMPROVEMENT ACCOUNT AND INCLUDE THEM IN THE TRIDENT TEC POLICIES AND PROCEDURES MANUAL. AREA COMMISSION AUTHORIZATIONS REGARDING CAPITAL IMPROVEMENT ACCOUNT ACTIVITY SHOULD BE DOCUMENTED IN WRITING AND MADE A PART OF CAPITAL IMPROVEMENT ACCOUNT RECORDS.

CHAPTER III
ADMINISTRATIVE AND FINANCIAL MANAGEMENT

Fiscal accountability of technical colleges resides with the State TEC Board. Policies and procedures have been initiated by the Board to carry out this mandate.

Area commissions and college staff are responsible for carrying out State policies and additionally should implement controls at the college level. The Audit Council found numerous areas where improvement is needed in controls, as well as monitoring, at both the State and local levels.

Administrative Support

Administrative Expenditures Show Greatest Growth

Administrative, or noninstructional expenditures, at Trident TEC have been higher than those of comparable institutions. There is a question of whether the emphasis placed on administration has been appropriate relative to academic/mission areas. From FY 79-80 to FY 81-82, 43 cents of every dollar were spent to support administration. In addition, the Audit Council analyzed the growth of expenditures at Trident TEC from FY 77-78 through FY 81-82 and found that the area of administration has shown the greatest growth at 157% (see p. 10). This is a conservative estimate because although administrative expenditures shown include those for the three Vice Presidents, they do not include other administrative costs such as the Dean of Students and Deans of Instruction.

In FY 79-80, a Self-Study Committee for the Southern Association Accreditation Review at Trident TEC found the College was below the State TEC system mean for instructional expenditures when instructional and noninstructional activity expenditures were compared to the overall expenditure of funds. The Committee stated also that Trident TEC was even further below the equivalent figures for Greenville TEC and Midlands TEC, two comparable institutions. The Committee made the following recommendation:

Examine the balance of funds between instructional and noninstructional functions with a view toward increasing support to the primary function of the College, which is instruction.

However, Trident TEC has not increased funding to instruction relative to expenditures for noninstructional items. Table 8 shows comparative financial statistics nation-wide for members of the National Association of College and University Business Officers, the Southern Association of Colleges and Schools, both of which Trident TEC is a member, and for the College. Expenditures for academics at Trident TEC have declined while support (administrative) expenditures have increased.

TABLE 8
COMPARATIVE FINANCIAL STATISTICS FOR
TWO-YEAR COLLEGES

<u>Study</u>	<u>Expenditure Area</u>	<u>% of Overall Expenditure</u>		
		<u>79-80</u>	<u>80-81</u>	<u>81-82</u>
NACUBO ¹	Academic	61.8	60.8	68.9
	Support	36.3	37.4	36.8
SACS ²	Academic	62.1	61.7	60.6
	Support	34.4	35.4	33.7
Trident TEC ³	Academic	58.0	55.1	56.7
	Support	42.0	44.9	43.3

¹National Association of College and University Business Officers.

²Southern Association of Colleges and Schools.

³SACS annual statistics.

An analysis of administrative expenditures reveals the following increases in expenditures:

General Institutional Expense ¹	... 810%
Finance Division	... 750%
Office of the President	... 235%

However, expenditures of the Vice Presidents, those positions more functionally aligned to the students, experienced a 14% decline.

The mission of the State TEC system is to ensure high-quality post-secondary technical and occupational training programs. All entities, State, local area commissions and technical college staff, play a major role in accomplishment of this mission. Responsibility for local governance and day-to-day operations is delegated to the Area Commission and college staff. The President is the chief administrative officer of the institution. He bears the primary responsibility for all educational, fiscal and personnel programs and activities within the college.

Management of resources in this manner raises the question of whether the College has been accountable in academic/mission areas. The following findings detail specific areas where noninstructional considerations have taken precedence over academic ones.

¹The State TEC Board Fiscal Procedures Manual defines general institutional expenses as follows: "support that is void of program measurements: alumni activities, publication of catalogues, bulletins and directories, commencement expenses, institutional membership in organizations, expense of independent certified audits, rental of postage meters (not postage) and other expenses not distributable to programs or provided for in other accounts."

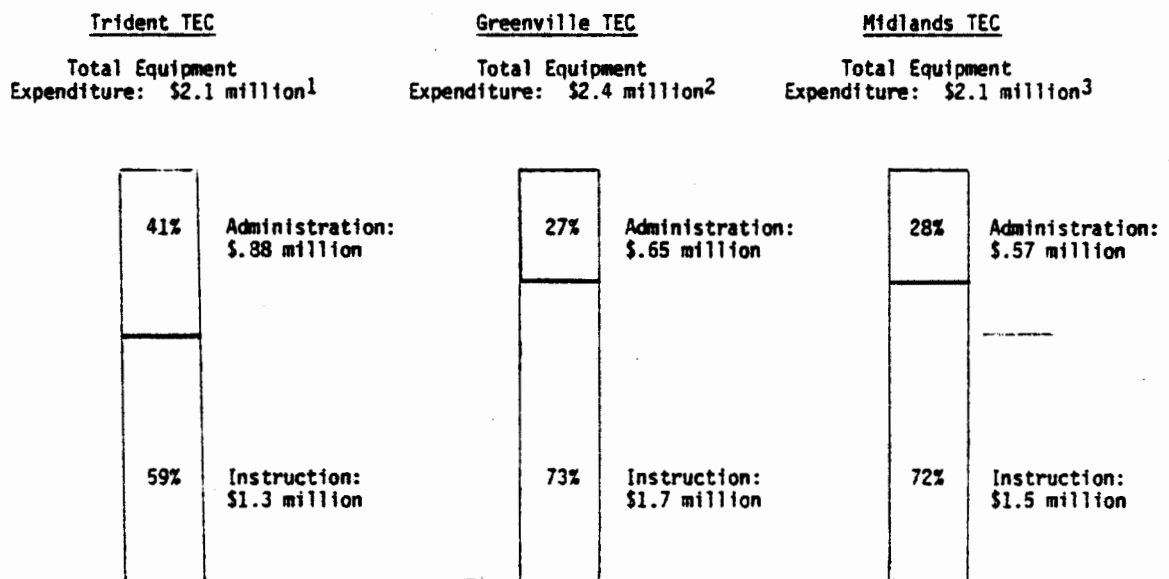
Equipment Allocations Overspent in Administration

Trident TEC spent considerably more of its available equipment funds on administrative support in the last six fiscal years than either of the other two comparably sized technical colleges. Figure 2 shows that, from FY 77-78 through FY 82-83, Trident TEC expended 41% of its total equipment funds (based on inventoried equipment purchases) from all sources to support administrative functions. In the same time period, Greenville TEC spent 27% and Midlands TEC spent 28% of available equipment funds on administration. Thus, the relative equipment support for instructional programs was highest at Greenville TEC (73%), next highest at Midlands TEC (72%), and lowest at Trident TEC (59%).

FIGURE 2

EQUIPMENT EXPENDITURES - SUPPORTING ADMINISTRATION VS. INSTRUCTION

FY 77-78 THROUGH FY 82-83^a



¹State funds = \$1.26 million
Local funds = .60 million
Federal funds = .27 million

²State funds = \$1.3 million
Local funds = 1.0 million
Federal funds = .1 million

³State funds = \$1.47 million
Local funds = .48 million
Federal funds = .10 million

^aEquipment expenditures reported in this figure, and in this chapter's narrative, represent only that part of total allocations which are inventoried and does not include expenditures under \$100, taxes, discounts, freight charges or expendable items.

Note: Some figures do not equal due to rounding.
Source: Audit Council analysis of expenditure data provided by the State Tec Board.

The Audit Council also examined equipment expenditures by source of funding (State, local and Federal funds) over the six-year period FY 77-78 through FY 82-83. Trident TEC spent a greater proportion of equipment funds from each funding source on administration than did either Midlands TEC or Greenville TEC, as shown in Table 9.

TABLE 9
PERCENTAGE OF TOTAL EQUIPMENT FUNDS EXPENDED ON
ADMINISTRATION BY FUNDING SOURCE
FY 77-78 THROUGH FY 82-83

	Trident	Greenville	Midlands
State Funds Spent on Administrative Equipment	\$331,883	\$167,914	\$318,916
% of State Funds Spent on Administrative Equipment	26.3	13.1	21.6
Local Funds Spent on Administrative Equipment	\$502,160	\$476,415	\$244,797
% of Local Funds Spent on Administrative Equipment	84.1	47.4	50.7
Federal Funds Spent on Administrative Equipment	\$ 41,360	\$ 7,739	\$ 10,934
% of Federal Funds Spent on Administrative Equipment	15.1	8.0	10.7

Source: Audit Council analysis of expenditure data provided by the State TEC Board.

The expenditure of local funds for equipment is determined locally, and is discretionary as long as expenditures support the mission of the school. The expenditure of State equipment funds, however, is controlled by the State TEC Board. Finance officials at the Board stated that instructional needs take priority over administration, and that each equipment requisition is scrutinized by the Board for assessment of instructional purpose.

A State TEC Board official noted to the Audit Council that administration should not be funded at more than 5% of the total State funds available for equipment. Although the State TEC Board reviews state-funded equipment expenditures, Trident TEC has spent over 26 cents of every State equipment dollar for administration, and, from all sources combined, 41 cents of every dollar for administration in the last six fiscal years. The oversight provided by the State TEC Board has not been sufficient.

As the individuals responsible for setting priorities, requesting and requisitioning equipment, the Trident TEC administration has placed greater emphasis on administration than other schools, and a greater emphasis than that recommended by the State TEC Board.

The effect of Trident TEC's priorities in expending equipment funds was studied by the Audit Council. Program Advisory Committee Chairmen were surveyed to assess the adequacy of equipment in the different programs. (Each degree-awarding program has an Advisory Committee comprised of representatives from local industry and/or business.) Fewer than half of the 26 Committee Chairmen who responded to the Audit Council's survey agreed with the statement that equipment in their respective programs was adequate. Nine answered that the equipment was not adequate, and five stated that they did not know.

Deans of the two-year degree-awarding and one-year diploma-awarding curricula also were surveyed (Industrial Technology, Engineering, Business, Allied Health and General Studies). The Deans were asked to compare equipment in their programs to "prevailing industry standards." "Prevailing industry standards" were defined as those in the workplace environment to which most technical college graduates (60%-70%) enter upon graduation.

- (1) Industrial Technology includes six program areas: Welding, Diesel Mechanics and Air Conditioning are operating with equipment which meets prevailing industry standards, and Auto Mechanics, Industrial Mechanics and Machine Tool are not. The Auto Mechanics program would require approximately \$80,000 to replace obsolete instructional equipment. Industrial mechanics is reportedly "way behind" industry standards, unable to keep up with industry advancements in diagnostic equipment which have become standard in the last five to six years. Much of the major equipment used in the Machine Tool program was purchased as post-World War II military surplus; for students learning on this equipment, the transition to the workplace is considered difficult. In this program, as in Industrial Mechanics, technological advancements in the last five years constitute the prevailing industry standard. The Trident TEC Machine Tool program owns no "computer numeric control" equipment.
- (2) Engineering Technology is comprised of seven program areas, two of which are operating with below-industry standard equipment. In the two electronics programs, some of the equipment is obsolete. It is estimated that \$150,000 is needed to bring this equipment up to prevailing standards.
- (3) Business and Management is comprised of six program areas including Secretarial Science, Computer Programming, Accounting, Marketing, Management and General Business. The most severe equipment problem has been in computer instruction. In Spring 1982, a petition signed by 127 computer programming students was presented to the administration, protesting the severe shortage of data entry and computing equipment, inadequate size of faculty and long waits

for functional equipment. This situation has been alleviated in the last year due to industry donations, transfers of equipment from other college areas, as well as the acquisition of some additional microcomputer equipment. Typewriters, calculators, and word processing equipment are meeting prevailing industry standards, although due to heavy use and lack of funds in the last two years, replacements are needed on a regular schedule.

- (4) General Studies encompasses the Associate of Arts/Associate of Science (AA/AS) college parallel programs, which are not "equipment-intensive," and Horticulture Technology. The Horticulture equipment is not up to industry standards, due to the lack of funds for replacement of worn-out equipment.

- (5) Allied Health - The eight programs in this curriculum share the Medical University of South Carolina's equipment and facilities. This equipment meets prevailing industry standards.

Particularly for the Engineering and Industrial Technology fields, technological advancement has been rapid. It is estimated that "state of the art" equipment, involving computerized diagnostics, controls, design features and computer-assisted instruction, will become the industry standard in the next two to three years in many fields. It is, therefore, imperative that instructional support become the institutional priority at Trident TEC. Every effort should be made to plan and expend equipment funds effectively to support the mission of the school.

RECOMMENDATIONS

STATE AND (TO THE EXTENT PRACTICABLE)

FEDERAL EQUIPMENT FUNDS SHOULD BE USED TO

SUPPORT THE INSTRUCTIONAL MISSION OF THE
COLLEGE.

THE STATE TEC BOARD SHOULD SET A CEILING
ON THE PERCENTAGE OF EACH TECHNICAL
COLLEGE'S EQUIPMENT EXPENDITURES WHICH MAY
SUPPORT ADMINISTRATION.

Questionable Need for Central Office Building

The Trident TEC Central Office Building was constructed in 1977 and officially opened in September 1978 nearly a mile from the North Campus. Due to the lack of proximity to campus of essential offices, the inefficient use of space, and the availability of space on the North Campus for relocation of employees, it may be advantageous to sell the Central Office Building. In addition, the impending sale of Trident TEC's computer, housed in the Central Office Building, would allow a "package deal," in the sale of the building; the most appropriate use of this computer is in business, rather than educational, applications (see p. 75).

Administrative offices were first relocated from the North Campus to a rented location three miles away in 1977. This relocation occurred after the merger of Trident TEC and the Palmer College. It is reported that an atmosphere of resentment between the two campuses after the merger caused the President at the time to relocate the administrative offices, as a gesture of impartiality. This rented space functioned poorly from a logistical point of view. The administrative offices were then moved from the rented location to the current location in 1978.

The Central Office Building houses approximately 50 employees distributed as follows: Office of the President (3), Vice Presidents for Finance (20) and for Development (5), the Director of Planning and Management (4), Computer Services (11), Public Information (4), Purchasing (2), and Personnel (4).

In 1979, Trident TEC conducted a study of the Central Office Building and 13 North and Palmer campus buildings. For each building, the percentage of "net assignable square feet" (NASF) to gross square footage was calculated. Net assignable square feet refers to the sum of all areas in a building available for assignment to an occupant. Of the Central Office Building's 16,100 gross square feet, 9,320 square feet, or 58%, is NASF, or available for assignment to an occupant. Only the North Campus building housing the library had a smaller percentage (52%) of NASF to gross. The average percentage of NASF to gross for the 13 campus buildings studied was 78%.

The relatively low percentage of assignable space in the Central Office Building was described by a Trident TEC official as a reflection of "a greater interest in appearance and prestige, than in function or use." The State Engineer concurred with this, stating that the building's 58% NASF to gross indicates poor space allocation and inefficient planning. Whether State-owned or private, office buildings should provide a minimum of 70% and preferably 80% NASF to gross according to the State Engineer. The building's inefficient use of space is illustrated by design features such as atriums, cul-de-sacs and two-foot structural "indents" for every window.

In terms of relocation of administrative offices to the North Campus, several Trident TEC administrators have indicated to the Audit Council

that there is space throughout campus which could be more efficiently used. Renovation would be needed to convert little-used facilities, such as certain studios, faculty lounges, and conference rooms, into office space. There is also recognition that the new computer would be located most appropriately on campus, due to the necessity of establishing linkages from the computer to locations throughout campus.

The lack of proximity of the Central Office Building to North Campus is illustrated by the fact that the College has sanctioned travel reimbursements to employees for "trips" between the North Campus and the Central Office Building. Employees may receive reimbursement for two miles, each time the round trip is made. It was estimated that 12 of the 50 Central Office employees routinely charged the College for this reimbursement in FY 82-83. One College administrator located in the Central Office Building charged the College for 228 "trips" to the North Campus from January 1979 to June 1982. No other technical college in the system has a comparable administrative arrangement. At the other two large TEC colleges, Greenville and Midlands, administrative offices are situated within, and as an integral part of, the respective campuses.

An estimate of the market value of the building, at \$50 a square foot, is \$805,000. (At building costs of \$65 to \$70 a square foot, the cost of construction today would approximate \$1 million to \$1.1 million.) The worth of the 1½ acres of land, upon which the building is situated, is estimated at approximately \$150,000.

Trident TEC could realize nearly \$1 million from the building's sale, if it is determined feasible to relocate the administrative offices. If the administrative offices were relocated to the North Campus, students

and faculty would have better access to the College administrators. Utilities for the Central Office Building approximate \$2,500 a month, or \$30,000 a year (based on 1982 bills). It is likely that the building's sale would reduce administrative overhead and expenditures, allowing the College to increase instructional support.

RECOMMENDATION

A STUDY SHOULD BE CONDUCTED TO EXAMINE
THE FEASIBILITY OF SELLING THE TRIDENT TEC
CENTRAL OFFICE BUILDING, AND RELOCATING
ADMINISTRATIVE OFFICES TO THE NORTH CAMPUS.

Management of Accounting Controls

Weak Controls Over Disbursements

The Audit Council and the Trident TEC Internal Auditor performed reviews of the Accounts Payable area. Numerous weaknesses were found surrounding the disbursement of institutional funds, including (1) not all checks had invoices attached, (2) unsigned but written checks were left in file cabinet over Christmas break, and (3) no audit trail to document if and when particular capital improvement checks were authorized and released. Additionally, travel reimbursements were allowed over State authorized amounts, and payment was made by the College of up to \$5 per employee for insurance in addition to the regular payroll deduction plan (see p. 90).

These weaknesses at Trident TEC have had as contributing factors a lack of management oversight, poor communication and circumvention of approval lines. Also, inadequate training and supervision of personnel, as well as frequent employee turnover, have affected disbursement procedures. Further, the Internal Auditor has not reported to those who are primarily responsible for supervision of the College (see p. 131).

The South Carolina Code, the State TEC Board Fiscal Procedures Manual and the Trident TEC Policy Manual include policies and laws regarding disbursements. It is incumbent upon those in supervisory and oversight positions to ensure that policies and laws are followed. Acceptance of responsibility must have a pyramid effect. The area commissioners oversee the President and the Vice President for Finance, but also the State TEC Board has the responsibility for appropriate policies, procedures, and standards to ensure educational and financial accountability in the operation of the TEC system. Any breakdown in this structure could be a financial detriment to State and local taxpayers and/or students.

RECOMMENDATIONS

TRIDENT TEC SHOULD ADHERE TO WRITTEN
POLICIES AND PROCEDURES REGARDING
DISBURSEMENTS.

THE TRIDENT TEC AREA COMMISSION SHOULD
MAINTAIN CLOSER SUPERVISION OVER THE
FINANCIAL MANAGEMENT OF THE COLLEGE.
PROCEDURES SHOULD BE IMPLEMENTED WHICH

WOULD STRENGTHEN CONTROLS AND ACCOUNT-
ABILITY IN FINANCIAL MANAGEMENT.

Problems in Grant Accountability

Although approximately \$1 million to \$2 million has been received by Trident TEC annually in institutional grants from the Federal Government and other sources, there is evidence that Trident TEC lacks precise accountability over grant expenditures. Trident TEC's Finance Division has encountered problems in reconstructing and identifying particular grants' expenditures, and there has been confusion over the responsibility for financial reporting to the sponsoring agencies.

Various deficiencies in record-keeping for grants were noted by the College's independent Certified Public Accounting (CPA) firm in their FY 80-81 management letter; for example, large differences arose in reporting expenditures for the Strengthening Developing Institutions Program (SDIP) grant, from the Federal Title III program. This \$1.6 million grant was the largest institutional grant ever received by Trident TEC and ran from FY 76-77 to FY 81-82. The Finance and Planning and Management areas finally resolved the discrepancy with the aid of the Treasurer and Internal Auditor. Payroll problems (see p. 79) and confusion between organizational lines contributed to the problem. The FBI investigated some aspects of this grant, but did not issue a report. The College's independent CPA firm audited SDIP each year as a part of the overall Trident TEC audit. No SDIP exceptions remained at the date of their FY 81-82 management letter.

The final report on the SDIP grant was due 90 days after the close of the grant (June 14, 1982). The Audit Council noted it was not mailed until June 1, 1983, almost a year after the grant ended. The Federal Government will perform a routine SDIP audit at Trident TEC following receipt of the final report.

The lack of a grants accountant has contributed to this lack of accountability. Historically, Trident TEC has relied on a Grants Coordinator in the Development office to administer the grants, to oversee project managers in the instructional areas, and to prepare quarterly financial reports to the sponsors. However, none of the personnel in the Development Office have a background in financial accounting.

Midlands TEC, with a similar amount of grant funds, has a grants accounting section consisting of the Assistant Director of Finance, a Grants Supervisor and two grants clerks. The supervisor prepares the quarterly financial reports and the Assistant Director reconciles the grants' bank statements. This grants accounting section at Midlands TEC works closely with their Development Office in reconciling project ledgers.

The National Association of College and University Business Officers (NACUBO) recommends the type of grants management practiced by Midlands TEC. NACUBO states:

...acceptance of [grants] is accompanied by a requirement for strict accountability...the effect of such funding in the context of overall institutional objectives and the administrative requirements imposed by sponsoring agencies are a matter of direct concern to the business officer. If these funds are permitted to become an integral part of the financial fabric of an institution, any significant withdrawal could create substantial academic, administrative, and fiscal problems... The business

or administrative staff should be responsible for fiscal operation of sponsored programs, including control and support.

Thus, NACUBO recommends that accounting and reporting responsibilities for grants be assigned to personnel reporting to the chief business officer; for example, the Vice President for Finance and Administration at Trident TEC.

A grants accountant in the Finance Division would provide a better system of checks and balances between the Finance, Development, and Instruction Divisions. In May 1983, the Finance Division hired an additional accounting technician, but this person is scheduled to spend only 15% of her time on grants. Grant funds are becoming increasingly difficult to obtain; once procured, they should be strictly accounted for by the Finance Division.

RECOMMENDATIONS

TRIDENT TEC SHOULD ESTABLISH A GRANTS
ACCOUNTANT/ ADMINISTRATOR POSITION TO
REPORT TO THE VICE PRESIDENT FOR FINANCE
AND ADMINISTRATION.

STRICT ACCOUNTABILITY SHOULD BE MAINTAINED
OVER THE REVENUE AND EXPENDITURE ACTIVITIES
OF GRANT FUNDING.

Administration of Student Loans Needs Improvement

Although Trident TEC has not made any new National Direct Student Loans (NDSL) since 1978, when the Federal Government stopped lending money through this program, subsequent management of collections by Trident TEC has not been handled properly. As of June 1983, the total outstanding NDSL debt on Trident TEC's books was \$77,820. Of this amount, \$52,614 in loans were in default status. No payments had been made on the defaulted loans in over two years, and their liability was unassignable to the Federal Government due to inadequate file documentation by Trident TEC.

An Accounts Receivable Clerk under the Vice President for Finance and Administration is trying to reorganize these files and develop a viable collection follow-up system, but her job responsibilities do not allow her adequate time for this.

The Student Aid Office no longer has responsibility for NDSL, but they still handle other forms of Federal student aid such as Veterans Administration benefits (VA), College Work Study (CWS), and Supplemental and Basic Educational Opportunity Grant Programs (SEOG and BEOG). The Director of Student Aid files periodic reports with the Federal sponsoring agencies without interaction with, or signatures from, the Vice President for Finance and Administration or the President. In FY 81-82, Federal sources provided \$1,181,397 in assistance to Trident TEC students.

Trident TEC's lack of proper NDSL management and the singular authority of the Student Aid Office over other Federal programs have resulted from poor communication between the Dean of Student Affairs and the Vice President for Finance, as noted above regarding the

reports to the sponsoring agencies. The lack of a grants accountant within the Finance Division has also contributed to these problems (see p. 67). A grants accountant position would enable separation of financial reporting responsibilities for student aid from the Student Aid Office's other duties, such as determination of eligibility and the awarding of aid.

The NDSL problems have also been the result of inadequate file documentation by the Student Aid Office, for example, lack of proper promissory notes and applications in prior years. Some of these loan files date back to the Palmer College merger in 1973, when Trident TEC assumed these loans. As of June 1983, \$34,195 of the \$52,614 in default status originated at the Palmer Campus, and of the \$34,195, only 31% or \$10,672 was assumed at the merger.

In its publication Audits of Colleges and Universities, the American Institute of Certified Public Accountants (AICPA) recommends the following internal controls over financial aid management:

The financial assistance program is the dual responsibility of academic and financial personnel. The academic representatives develop the broad policies of the financial assistance program. The administrator of financial aid is responsible for administering the program including review of applications, evaluation of need and qualifications of applicants, and amounts and kinds of aid appropriate in the circumstances. The financial officers of the institution are responsible for the custody and disbursement of funds for financial assistance, receipt and custody of the loan notes and the accounting for, reporting, and collection of the loans. The financial officers also have the obligation to inform the student aid administrator concerning the restrictions and limitations which may exist on the use of any of the funds and to monitor their observance. [Emphasis Added]

The National Association of College and University Business Officers (NACUBO) recommends a grants accountant position under the chief business officer since grant funds are an integral part of a college's fiscal picture. Finance Department personnel at both Greenville TEC and Midlands TEC prepare the periodic Federal reports with Student Aid Office assistance. Also, unlike Trident TEC, their chief business officers review and sign these reports before mailing.

The result of this situation at Trident TEC is misplacement of fiscal responsibility of student aid grants. Although student aid grants are appropriately audited by the College's independent CPA firm, the Vice President for Finance and Administration and his staff should be more involved in student aid report preparation and the sign-off process.

Further, Trident TEC would not have such a large NDSL outstanding balance, 68% of which was in default as of June 1983, if stronger methods had been implemented and more time had been spent accounting for and following up on these loans. As of June 1983, Greenville TEC and Midlands TEC had NDSL default rates on unassignable loans of 35% and 23%, respectively.

In 1983, Trident TEC joined the Federal NDSL Default Prevention Program as a follow-up measure. Trident TEC's liability for outstanding NDSL balances is 90% of collections (Trident TEC retains 10%). If Trident TEC were to stop its collection effort and close out the NDSL program, Trident TEC would have to send the Federal Government a check for 90% of the outstanding amount, or \$70,038 as of June 1983. This is not anticipated by Trident TEC management, but it justifies the need for a continued effort by a grants accountant in the Finance Division to administer the NDSL collections among other duties.

RECOMMENDATIONS

TRIDENT TEC SHOULD ESTABLISH A GRANTS ACCOUNTANT/ADMINISTRATOR POSITION TO REPORT TO THE VICE PRESIDENT FOR FINANCE AND ADMINISTRATION.

PREPARATION AND FINAL APPROVAL OF FEDERAL REPORTS ON STUDENT AID GRANTS SHOULD BE DONE BY THE GRANTS ACCOUNTANT/ADMINISTRATOR IN THE TRIDENT TEC FINANCE DEPARTMENT, WITH THE ASSISTANCE OF THE STUDENT AID OFFICE.

Consultants Should be Considered Employees

Individuals have been hired as consultants when they should have been considered employees. Further, two former Trident TEC employees have later been retained as "consultants." This has occurred in the computer area and in the Development Office. Trident TEC also uses consultants to teach seminars and to do various evaluation studies.

Employers often find consultants to be more economical to use than employees and to require fewer personnel and payroll procedures. For example, fringe benefits are not paid for consultants. Also, payroll taxes are not withheld because a bona fide consultant is considered to be self-employed by the Internal Revenue Service and is responsible for making his own quarterly estimated tax payments. Consultants do not require State Personnel approval; therefore, less documentation of personnel records is required.

As the State TEC Board Internal Auditor noted in his March 31, 1982 report on Trident TEC: "Most of the individuals referred to as consultants are basically employees according to the Internal Revenue Publication, Circular E." The following definition of an employee appears on page four of that publication:

Anyone who performs services that can be controlled by an employer (what will be done and how it will be done) is an employee. This is so even when the employer gives the employee freedom of action. What matters is that the employer has the legal right to control the method and the result of the services.

Understatement of payroll taxes is possible if this regulation is violated. In such a case, the employer could be assessed both the employer's and employee's share, plus penalties. The State TEC Board auditor also stated:

...if... the courses (services) were not controlled by the school or college, then they would not comply with SACS [Southern Association of Colleges and Schools] standards and would not be fundable by the State Board.

On July 30, 1982, the formal written response made by the Trident TEC Interim President to the State TEC Board audit stated that Trident TEC would reevaluate its current consultant agreements, replacing any deemed improper with temporary employment agreements. Further, all requests for consultants would be reviewed by the Vice President for Finance and Administration prior to presidential approval, to ensure their validity. As of Spring 1983, some improvements had been made, but improper agreements were still being signed by Trident TEC officials.

RECOMMENDATION

THE STATE TEC BOARD SHOULD FORMULATE A
SYSTEM-WIDE POLICY ON THE DISTINCTION
BETWEEN A CONSULTANT AND AN EMPLOYEE.

THE STATE TEC BOARD SHOULD PROVIDE
CLARIFICATION TO TEC COLLEGES ON THE MANNER
OF RETAINING CONSULTANTS WITHIN FEDERAL
GUIDELINES.

Management of Computer and Other Resources

Computer Purchase a Costly Mistake

The Trident TEC computer system, purchased in 1978, has not met the College's needs and has proven to be an inappropriate acquisition. The availability of Federal Title III funds in 1978 allowed Trident TEC to become the first technical school in the State system to purchase its own computer. Over \$.5 million has been spent by the Federal Government and the Trident TEC Area Commission for this system. In October 1983, the Federal Title III program approved Trident's proposal to replace the present system, and awarded the college approximately \$.3 million.

Acquisition of the computer was part of a broader Federal Title III - SDIP (Strengthening Developing Institutions Program) activity area. The activity area, Management Information, was Federally funded at \$425,309 with local matching funds of \$1,092,516 over the five-year

period FY 76-77 through FY 81-82. The computer system purchase itself accounted for \$283,482 in Federal dollars, and \$285,949 in local dollars.

An external evaluation of the SDIP grant to Trident TEC, released in June 1982, reported that the Management Information activity had been "fraught with problems." Major difficulties cited included lack of clear definition of the information system concept, problems with the hardware (computer) resulting in significant time delays, extensive staff turnover, and repeated changes in directions and priorities. Similarly, an internal evaluation of the last Title III Management Information activity, released in January 1983, found that the original goal had not been attained, and that elements of "any good management information system" had not been developed. The report states that the "underlying cause of failure to attain our goals" was the acquisition of the computer system.

In the Trident TEC proposal to Title III for FY 83-84, justification for the new system was based on: (1) the lack of crucial financial information needed to make sound management decisions, and (2) ineffective, inefficient and costly methods of processing and reporting financial and student information. Basic financial systems which have not been developed include: (1) accounts receivable (there is no systematic way of knowing how many or which students paid to attend class), (2) student fee collection (this is all done manually, since there is no billing system), (3) fixed asset accounting system, (all inventory is recorded manually), (4) student financial aid, (disburses over \$1,500,000 in funds a year, and is handled manually, with records

rarely agreeing between the Financial Aid Office and the Finance Division), and (5) cost-accounting (a serious shortcoming, preventing analysis of the cost-effectiveness of any program or operation). Also handled manually are registration and recruiting/admissions.

The specification requirements for the computer acquisition were written for a computer (hardware) without "application software" support. It was planned for a Trident TEC employee to develop and write all programs needed by the College, but she resigned after the computer was purchased. The reason the specifications were written for a computer without applications software appears to have been the professional preference of the individual who wrote the specifications. For an expert in computer programming, it is considered to be more interesting and noteworthy to write one's own programs rather than to buy "pre-packaged" programs. Since no educational programs were specified by the College, the awarded company was able to bid successfully with a computer typically used by financial institutions.

The Trident TEC Title III application states...

[The specifications] permitted almost every hardware vendor in the world to respond to our proposal, and in the end the bid was won by... a company that sells thousands of computers to businesses, but very few to colleges... Because [this company] sells so few computers to colleges, no one has developed college-oriented administrative software packages for [its] computers - even to this day."

Another major reason identified for acquisition of an inadequate computer configuration was that of poor management-level decision making. There was little planning conducted by the administration for this major acquisition.

The State procurement process at the time of acquisition contributed to this problem, in that it did not prevent purchase of a computer

incompatible with the rest of the State's computer systems. The contract was awarded by the Division of General Services to the lowest bidder who could meet the specifications. (The acquisition of computers and related equipment in the State is now coordinated by the Budget and Control Board's Division of Information Resources Management and involves thorough system-wide planning.)

Good management practice dictates that the purchase of an essential and expensive equipment system be guided by thorough planning and by familiarity with the major systems available, appropriate to the needs of the institution. The "state-of-the-art" in computer configurations in 1978 included educationally appropriate systems.

The computer acquisition has affected all areas of the College's operations. The initial goals for development of a Management Information System were not met, as computer capabilities were central to this endeavor. A survey conducted in 1982 revealed that 24% of Trident's users were satisfied with the Management Information System throughout the College. Less than half of all computer requests between 1976 and 1983 were filled (see Vol. II, p. 2).

The Division of Information Resources Management, the State TEC Board, and technical colleges have planned and begun to implement a computer system called TecNet. This system is designed primarily to meet the instructional needs of the technical colleges, but will also have the capability to meet administrative needs. The TecNet System provides for computer compatibility among participating colleges and the State TEC Board, (which now shares a computer with the State Department of Education). Eleven of the 16 technical colleges have already implemented, or are soon implementing, TecNet.

Trident TEC has been awarded \$300,000 in response to its FY 83-84 application to the Federal Title III program for purchase of a new computer system, and plans to join TecNet. It has been estimated that the recovery value on selling the present system would be approximately \$100,000. It is also estimated that implementation of TecNet would allow the nine-person Computer Services staff to be reduced to four or five individuals.

RECOMMENDATION

A MANAGEMENT INFORMATION SYSTEM STEERING COMMITTEE SHOULD EXPLORE ALL ALTERNATIVES FOR MAXIMIZING THE RETURN TO TRIDENT TEC FROM SELLING THE COMPUTER, INCLUDING THE FEASIBILITY OF OFFERING THE SYSTEM IN A PACKAGE, SHOULD THE COLLEGE SELL THE ADMINISTRATION BUILDING (see p. 62).

Unnecessary Conversion of Payroll Package

Approximately \$100,000 in computer programming and finance personnel resources was used, primarily in 1981 and 1982, to adapt a State TEC Board payroll/personnel package to the Trident TEC computer. In October 1982 the decision was made to dismantle the Trident TEC package in favor of the State TEC Board program.

In 1978, the State TEC Board purchased a computerized payroll/personnel package. This program was intended to replace outdated, noncomputerized equipment, used by all the TEC Colleges since 1972. The State TEC

Board planned to provide centralized payroll support and related information for all 16 schools by Spring 1980, wherein each college would input and receive information using a "remote job entry" system, from each college to the State Board computer in Columbia. Trident TEC was one of five technical colleges initially chosen by the State TEC Board for implementation of the package on a pilot basis, but by January 1980, Trident TEC was the only pilot school left. Throughout 1980, Trident TEC contributed an estimated \$136,686 in personnel resources to the State TEC Board in an effort to correct the errors and other problems in the package. The effort was seriously hampered by the lack of adequate computer resources at the State TEC Board. In July 1980, the State TEC Board began generating Trident TEC's payroll, and shortly thereafter the College stopped running the noncomputerized equipment.

A major problem discovered by the College administration in December 1980, was that the State TEC Board program was handling only one of the three functions which had been generated by the noncomputerized equipment; the one function was checkwriting. There was no check audit/history nor distribution of labor. These problems had been communicated by the Finance Division to Trident TEC administration as early as August 1980, but were apparently not understood by the administration until the effects became clear at mid-year budget review. Without the labor distribution functions, administrative review of expended personnel funds could not be accomplished throughout the year.

Due to both the computer difficulties at the State level and the lack of labor distribution, Trident TEC exercised an option provided by the State TEC Board to buy the computerized payroll/personnel package

for \$500, and to convert it to its own computer. The package was not written in language compatible to the College's computer, however, requiring that the language be rewritten. From January 1981 to January 1982, Trident TEC personnel in Computer Services and the Finance Division worked on conversion of the program, producing a system running "parallel" to that of the State TEC Board. The Trident TEC payroll/personnel system was then dismantled in October 1982, at the request of the State TEC Board, due to duplication of effort.

The State TEC Board and Trident TEC both contributed to the waste of these resources. The College was involved as a pilot school at a time when the State TEC Board was without adequate computer resources to effectively implement such a package. Had Trident TEC been interested in such a package, it could more easily have bought software for its own computer. The College's computer is "financially-based," and although it has significant shortcomings in educational areas, it could well have been used to generate a payroll.

Communication between the State TEC Board and Trident TEC was not adequate. Although the College purchased the computerized package from the Board, and a memo and series of interviews reflect discussion with the Board regarding program conversion to Trident TEC's computer throughout 1981, a State TEC Board Finance Administrator denied to the Audit Council that the Board knew of Trident TEC conversion plans until after the fact, in May 1982.

Another serious lack of communication which contributed to the waste of these resources occurred between Computer Services personnel and personnel in the Finance Division at Trident TEC. It was the understanding of the College Administration and Computer Services

personnel that although the computerized program was serving to produce payroll checks, the noncomputerized equipment was still producing the check history and labor distribution. However, the Finance Division had stopped this equipment soon after the program began generating payroll in July 1980. This misunderstanding continued for three to four months, until the College President came to understand the lack of this essential information and decided to convert the package to Trident TEC's computer, in January 1981.

Good management practice dictates that resources be used in the most efficient manner possible. Decisions requiring a large expenditure of professional resources should be well coordinated prior to commitment, and commencement, of the project. Furthermore, any expenditure of computer programming resources should be directed by a Management Information System Steering Committee.

It is estimated by Trident TEC that a total of \$136,686 was devoted to helping the State TEC Board implement the computerized package. Another \$100,000 was devoted to conversion of the program to the Trident TEC computer. The entire process also involved hardship for the personnel involved; two programmers quit due to the workload. The diversion of Computer Services personnel to this project from other needs of the College contributed to the perception that there was a lack of responsiveness in Computer Services. Although serving 13 of 16 technical colleges, the State TEC Board computerized program still did not provide all of the basic functions which had been provided by the noncomputerized equipment until July 1983.

RECOMMENDATIONS

ARRANGEMENTS BETWEEN THE STATE TEC BOARD AND TRIDENT TEC WHICH INVOLVE RESOURCES SHOULD BE COORDINATED, DOCUMENTED AND COMMUNICATED IN A TIMELY MANNER.

JOINT COMPUTER SERVICES/DIVISION OF FINANCE PROJECTS SHOULD BE COORDINATED BY AN MIS STEERING COMMITTEE, WITH REPRESENTATION BY BOTH GROUPS.

Inefficient Purchase of Optical Mark Scanning Machine

An Optical Mark Scanning Machine (OPSCAN) was purchased in November 1979 on a lease-purchase agreement which is resulting in the waste of \$25,100. Trident TEC had the option of purchasing the machine for \$58,300 or paying for it over 60 months at 15% interest a year. The total amount paid will be \$83,400; i.e., \$58,300 for the machine and \$25,100 in interest. The College also agreed to pay \$350 a month over 60 months or \$21,000 for maintenance of the scanner. An OPSCAN machine "reads" pencil-coded forms, and prepares the information for computer input. Such forms are used in certain phases of registration and for some survey and testing procedures at Trident TEC. The Director of Computer Services has estimated that the Scanner is used by the College no more than 1% of the time, such that it may be more economical to contract for optical scanning services than to own the machine.

The Audit Council was unable to identify evidence which justified the financing arrangements for this equipment. The availability of operating funds was not a problem prior to the purchase. At the end of FY 78-79, \$500,000 of excess operating funds was transferred to the capital improvement account. Since funds were available at the institutional level, proper planning could have prevented such a disadvantageous financing arrangement. Although the Director of Computer Services signed the contract, there is documentation to show that the (then) Director of Purchasing, the College President, the State TEC Board and the General Services Division of Computer Services approved this acquisition. Financing arrangements on equipment purchases are now carefully scrutinized by the Division of General Services Office of Information Technology Procurement, and by the State Treasurer.

The South Carolina Purchasing Policies and Procedures (1974) provided the following guidance to agencies:

"Agency heads and purchasing officials are responsible to see that the most economical methods possible are used to acquire personal property. Lease and lease/purchase are to be justified on the basis that it is more advantageous and economical to lease than to purchase...

The agency is responsible for the justification to lease vs. buy and if lease is to be used, the agency is also responsible for the competition. [Emphasis Added]

This policy was clarified in a memorandum to all State agencies and institutions from the State Purchasing Officer on March 22, 1979 prior to negotiation and purchase of the Optical Scanner.

In addition, Section 59-53-50 of the South Carolina Code states the State TEC Board shall "require accountability for...all real property and equipment in the South Carolina Technical Education System which

is purchased by or for the institutions and programs regardless of source of funds."

Not only was a lease-purchase agreement entered into without proper justification, but also, the financial terms of this agreement were unfavorable. The College agreed to 15% annual interest at a time when the prime rate was approximately 10½% - 11%. According to the Budget and Control Board Division of Economic Research and Statistical Services, a loan to a low-risk borrower should not have been more than 1½ - 2 points over the prime rate. In response to an Audit Council inquiry in June 1983, the State Treasurer evaluated the 15% rate paid by Trident TEC in mid-1979 as excessive.

The effect of lease-purchasing the OPSCAN reader at 15% interest has been a waste of \$25,100. In addition, the services provided by this equipment may have been more economically obtained by the school through an outside contract since the machine is used only 1% of the time.

RECOMMENDATION

THE TRIDENT TEC AREA COMMISSION SHOULD
ENSURE THAT PROPER PLANNING PRECEEDS
EQUIPMENT PROCUREMENTS.

Improper Vehicle Procurement Procedures

The Audit Council reviewed vehicle procurement procedures at Trident TEC, involving the lease or purchase of 15 vehicles between 1976 and 1982. Trident TEC Purchasing Policy 25-2 mandates adherence

to the State Procurement Code. The procurement of vehicles has evidenced many irregularities, relative to this policy and the code. These include:

(1) awards made to a single dealership despite lower bids from others, (2) the specification of a particular make of vehicle, (3) no bidding procedure, and (4) the leasing of cars instead of purchase. Each of these irregularities is discussed below.

(1) Awards to a single dealership: Since 1976, Trident TEC purchased or leased 13 vehicles from one dealership located approximately 40 miles from the North Campus and 50 miles from the City of Charleston. The 13 vehicles were procured in eight of the college's ten total vehicle procurements. Thus, only two of the 15 vehicles obtained by Trident TEC since 1976 involved other dealers. The Audit Council identified six irregular awards to this dealership, involving 11 vehicles.

1. & 2. There is no evidence of a bidding procedure for single vehicles obtained in 1976 and 1977.
3. A 1979 procurement award involving one vehicle was made on the basis of "longest wheelbase." Wheelbase length was apparently not communicated to dealerships in the verbal Request for Quotations.
4. A "computational error" resulting in award to the highest bidder was made in the procurement of three vehicles in 1980. Two Finance administrators forgot to add sales tax to the bid quote from the awarded dealership prior to the award.
5. A 1982 vehicle lease award was made largely based on "residual value" of the leased automobile rather than on lease cost per month. The Vice President for Finance told the Audit Council that there was never any intention to purchase this car, and that the residual value was, therefore, irrelevant.
6. A 1982 award for four leased vehicles was based on service features ascertained after the

bidding procedures took place. The Audit Council has determined that these same features were offered by a dealership two miles from the Trident TEC North Campus. Although this dealership bid on the procurement, it was never contacted regarding service particulars. In addition, the Trident TEC Request for Quotation did not specify a preferred length of lease contract. The dealership close to campus provided a four-year quotation, and the awarded dealership a three-year quote. Handwritten on the Trident TEC worksheet comparing prices is: "want 3-year over 4-yr. lease"; this was never communicated to the former dealership.

The procedures described above do not conform to those which have been authorized by the Trident TEC Area Commission nor to those of the State. In September 1977, Trident Technical College's Area Commission approved Policy 25-2 "Purchasing."

This policy states:

The President will establish procedures for the efficient and economical purchase of items required for the operation of Trident Technical College. Such procedures will comply with South Carolina Statutes, State Board for Technical and Comprehensive Education regulations, and policies of the Area Commission. [Emphasis Added]

The Audit Council requested clarification from Trident TEC of the applicability of Policy 25-2 to vehicle procurements. The response (November 15, 1983) was as follows, in part:

Policy 25-2 stipulates that TTC must follow the State Procurement Code when purchasing, regardless of cost or equipment being purchased. There is no need to single out vehicles in a college procedure since all purchasing is performed under the guidelines of the Code.

State agencies in compliance with State purchasing regulations do not handle vehicle acquisitions themselves, but do so through the Division of General Services. The State contracts for vehicles in volume, allowing for greater cost-savings than can be realized on an individual basis.

The State TEC Board Purchasing Agent stated to the Audit Council that the Board is not involved in vehicle acquisitions at the technical colleges since vehicles are purchased with locally generated revenue. The State TEC Board has not overseen such procurements, despite its responsibility stated in Section 59-53-51 of the South Carolina Code:

The Board shall establish statewide policies and procedures necessary to insure educational and financial accountability for operation of technical education institutions... [Emphasis Added]

In addition, the Trident TEC Area Commission has not ensured that vehicle acquisitions have met State guidelines and regulations, as required by Section 59-53-51 of the South Carolina Code.

- (2) Specification of a particular make of vehicle: In five of the ten vehicle procurement procedures conducted by Trident TEC between 1976 and 1982, the same make of vehicle sold or leased by the awarded dealership was specified in the Request for Quotations. Section 4-1 of the South Carolina Purchasing Policies and Procedures (1974) states "...individual preferences such as make, model and/or related items that do not effect the utility of the vehicle shall not be considered in the purchase of vehicles."
- (3) No bidding procedure: Four of the 15 vehicles leased or purchased by Trident TEC were contracted for without a documented bidding procedure. Act No. 1136, Acts of 1974, Part II, Section 18, reads as follows:

To Require State Agencies and Departments
To Invite at Least Three Bids on Contracts
of Fifteen Hundred Dollars or More.

Notwithstanding any other provision of law, all State agencies and departments, before contracting for fifteen hundred dollars or more with private

individuals or companies for products or services, shall invite bids on such contract from at least three qualified sources.

- (4) Leasing of cars instead of purchase: Eight of the 15 vehicles procured by Trident TEC were leased, rather than purchased. Guidance on acquiring property through lease and lease/purchase arrangements applicable to procurements of over \$1,500 is provided by the South Carolina Purchasing Policies and Procedures, (1974, p. 15; clarified in memoranda to State agencies and institutions, 1975, 1979):

Agency heads and purchasing officials are responsible to see that the most economical methods possible are used to acquire personal property. Lease and lease/purchase are to be justified on the basis that it is more advantageous and economical to lease than to purchase...In addition, leasing by agencies may take place only when competitive bids are solicited.

In interviews with the Audit Council, the Division of General Services and a private automobile dealership both stated that it is highly unlikely that a lease arrangement to a State agency would ever be more economical than a purchase. The only case in which a lease arrangement is reasonable is if there is a problem paying the full purchase price, in which case a lease/purchase agreement may be the most viable method.

In acquiring vehicles, Trident TEC has not been guided by State procurement laws and regulations. It has paid more than was necessary, and has awarded contracts primarily to a single dealership. The Audit Council compared the price paid by Trident TEC for four vehicles purchased between 1978 and 1980 to comparable vehicles which were on contract with the State. An average of approximately \$300 could have been saved on each purchase.

RECOMMENDATION

THE STATE TEC BOARD SHOULD ESTABLISH A POLICY REQUIRING TECHNICAL COLLEGES TO ACQUIRE VEHICLES THROUGH THE DIVISION OF GENERAL SERVICES. THE STATE TEC BOARD PURCHASING AGENT SHOULD COORDINATE IMPLEMENTATION OF THIS POLICY.

Insurance Coverage Practices Have Been Questionable

Three incidents of questionable insurance coverage practices have been noted by the Audit Council. These include: (1) the students' accident policy was not bid prior to 1981; (2) Trident TEC paid up to \$5 per faculty and staff per year for duplicative accident coverage; and (3) fleet insurance was continued on two formerly leased cars several months after their return to the lessor. Each of these incidents will be discussed in greater detail below.

- (1) The students' accident policy has been provided through the same company since at least 1964. This company is represented by a former Chairman of the Trident TEC Area Commission. The Audit Council found no evidence that the policy had been bid prior to 1981.
- (2) From at least 1967 until 1981, Trident TEC paid the same company as in (1) above for accident coverage on all employees equal to that available to students. From 1976 to 1981 alone, this amounted to approximately \$11,000. The Audit Council found no evidence that this policy had ever been bid. In 1981, the new Purchasing

Director at Trident TEC discontinued the employee coverage. The employee coverage Trident TEC had provided specifically excluded payment for, or on account of, any injury for which benefits were payable under any Workmen's Compensation Act or employer's liability. Since both the employee coverage and Workmen's Compensation covered employees an hour before until an hour after work, the private employee coverage was null and void from the beginning.

These first two incidents reflect mismanagement and lack of judgment by the administrators involved. Before July 30, 1981, when it was repealed, Section 8-13-480 of the 1976 South Carolina Code of Laws was in effect regarding contracting by a public official or employee with a governmental agency without competitive bidding:

No public official or public employee and no business with which a public official or public employee is associated shall enter into any contract with a governmental agency or department which is to be paid in whole or in part out of governmental funds, where such a contract is normally awarded through a process of public notice and competitive bidding, unless the contract has been awarded through a process of public notice and competitive bidding.

Other ethics legislation, Section 8-13-410 of the South Carolina Code, forbids the use of official position or office for financial gain. Midlands TEC and Greenville TEC offer the students insurance coverage in their tuition at approximately 40 cents per quarter per student. The student coverage at Trident TEC is \$5 per year. The State has offered a group health plan for employees since 1972. Before that, State Employees' Association members could enroll in a group plan with even greater coverage than that provided by Trident TEC for its employees.

(3) The third incident regarding the fleet insurance arose in the Fall of 1982, after the Interim President returned two Ford LTD's to the lessor in early October. Insurance coverage on these had just been initiated in September 1982. In January 1983, the Audit Council noted that the Purchasing Director had failed to terminate these policies upon the cars' return and that the coverage was still in force. The coverage was cancelled and four months later, in April 1983, a reimbursement of \$618 was received by Trident TEC.

These three incidents point out a lack of management control over insurance policies. The welfare of the students and the use of institutional resources have not been well managed.

RECOMMENDATION

THE TRIDENT TEC AREA COMMISSION SHOULD
MORE CLOSELY MONITOR INSURANCE COVERAGE
IN ADHERENCE WITH STATE LAWS AND REGULATIONS.

Lack of Control Over Equipment

At the request of officials of Trident TEC in 1982, the Inventory Control Section of the State TEC Board performed an inventory of equipment at all locations under the jurisdiction of Trident TEC. According to its independent CPA firm, as of June 30, 1983, Trident TEC's equipment on accounting records was approximately \$4.38 million (after adjustments as a result of this inventory). The report made by the Inventory Control staff was released in July 1983, although finalization

procedures were not completed by Trident TEC officials until November 1983. The following additions/(deletions), based on acquisition value, were documented by Trident TEC as a result of the inventory:

1. Equipment on inventory records, but could not be located at any Trident TEC location.	\$(180,549)
2. Equipment located without identification numbers, and not on inventory records.	39,690
3. Equipment located with identification numbers, but not on inventory records.	73,287
4. Equipment located at the Hangar, but not on inventory records.	<u>225,248</u>
Net adjustment (based on acquisition value).	<u>\$ 157,676</u>

In their report, the Inventory Control staff of the State TEC Board noted several factors contributing to the loss of control over equipment at Trident TEC. Among these factors is a lack of interest on the part of department heads and instructors in maintaining positive control over equipment in their assigned areas. Equipment is not periodically checked; consequently, missing items are not detected until an inventory is made.

Further, equipment has been received and put in place without passing through the Equipment Coordinator for proper identification, marking, and documentation, which are necessary for control. There has been indiscriminate tagging of equipment with identification numbers without doing the necessary paperwork.

These problems are compounded when equipment is donated to the College by local industries or individuals, for which they receive tax deductions, or is purchased through State surplus procedures. The

generosity of these industries and individuals has greatly benefited the colleges; however, according to the State TEC Board, the colleges have been prone to accept obsolete and unserviceable equipment which has no instructional value as a training aid. Equipment which is unserviceable, excess or obsolete is not being properly reported and removed from the training areas.

The State TEC Board noted that when identification numbers are lost on the equipment, another number is assigned without determining the original number. The amounts listed above as adjustments have been adequately cross-referenced by the State TEC Board and Trident TEC to ensure no duplications exist.

Finally, the State TEC Board noted problems when equipment is transferred between departments or locations under Trident TEC's jurisdiction. Files are not being maintained properly in such situations. Also, some equipment has been traded without authorization or proper documentation for proper removal from active inventory files.

According to the Vice President for Finance and Administration at Trident TEC, a new set of inventory policies and procedures has been written which will address these State TEC Board recommendations. In times of budget cutbacks and lack of money for new equipment, it is imperative that existing equipment be controlled to avoid misuse and misplacement.

The Audit Council concurs with the following recommendations made by the State TEC Board's Inventory Control staff, which should also be noted by the other colleges.

RECOMMENDATIONS

TRIDENT TEC SHOULD MAKE DEPARTMENT HEADS AND INSTRUCTORS DIRECTLY RESPONSIBLE FOR EQUIPMENT IN THEIR ASSIGNED AREAS. EQUIPMENT VERIFICATIONS SHOULD BE FILED WITH THE EQUIPMENT COORDINATOR PERIODICALLY, AND UPON TERMINATION OF THE RESPONSIBLE INDIVIDUAL.

ALL EQUIPMENT ENTERING THE COLLEGE FROM ANY DONATING OR LOAN SOURCE SHOULD BE PROCESSED THROUGH THE EQUIPMENT COORDINATOR FOR PROPER IDENTIFICATION AND DOCUMENTATION PURPOSES. NO EQUIPMENT SHOULD BE RECEIVED OR MAINTAINED IN AN INSTRUCTIONAL AREA THAT DOES NOT HAVE A DIRECT BENEFIT FOR THAT CURRICULUM. TRANSFERS BETWEEN DEPARTMENTS SHOULD BE DONE THROUGH THE EQUIPMENT COORDINATOR. INVENTORY CHECKS SHOULD BE REQUIRED WHEN EQUIPMENT LOSES ITS IDENTIFICATION NUMBERS.

THE EQUIPMENT COORDINATOR SHOULD PERIODICALLY INSPECT ALL AREAS TO ENSURE EQUIPMENT IS BEING USED PROPERLY, IS NECESSARY FOR INSTRUCTIONAL PURPOSES, AND IS VALUED OVER \$100. IF NOT, ANY EXCESS OR "JUNK" EQUIPMENT SHOULD BE PROPERLY REMOVED FROM THE INVENTORY RECORDS.

Unauthorized Use of Private Attorneys

Historically, Trident TEC has engaged private Charleston law firms on a fee basis to represent the College. From July 1977 through March 1983, \$48,375 from the general operations account and \$125,877 from the capital improvement account had been expended.¹ The advice of private firms was sought on situations ranging from routine matters, such as an employment opening in the computer area, the policy on the student newspaper, copyrights, and requisition and purchase policies, to employee grievance cases and litigation concerning the Ashley River site.

Approval for such engagements, other than the Ashley litigation, was not obtained from the South Carolina Attorney General's Office prior to their representation. Assistance from either the Attorney General's staff or the in-house counsel of the State TEC Board could have been obtained, but was not sought except to provide occasional back-up.

Former Trident TEC Presidents, with Area Commission sanction, sought local attorneys in disregard of State law. Section 10 of the 1974 and, succeeding years, Appropriation Act states, in part:

Provided, Further, That no department or agency of the State Government shall engage on a fee basis any attorney at law except upon the written approval of the Attorney General and upon such fee as shall be approved by him. This shall not apply to the employment of attorneys in special cases in inferior courts where the fee to be paid does not exceed one hundred (\$100.00)² dollars.

¹This excludes \$59,194 paid to American Arbitration for their work on the Ashley River site.

²Since FY 81-82, the fee to be paid must not exceed \$250 without approval.

The Audit Council has been advised by legal counsel that "For the purpose of obtaining approval of the hiring of counsel, the institutions should be considered agencies or departments of State Government under the above proviso."

In a letter dated March 28, 1975 from the Attorney General to the State TEC Board Executive Director, the Attorney General stated, in reference to Section 10 above:

The language of these provisions is clear. State agencies and departments are entitled to legal representation through this office and must necessarily look to this office in regard to the employment or engagement of counsel to represent them in legal matters where counsel is called for. The only exception would be as provided in Section 10, supra, regarding special cases in inferior courts where the fee to be paid does not exceed one hundred (\$100.00)³ dollars.

As the legal representative of all State agencies, it is essential that this office be in charge of all aspects of the employment of attorneys in regard to the various agencies and boards of this state.

Trident TEC has not expended its funds according to State law or in an efficient manner. Use of available resources such as the Attorney General's Office and the State TEC Board in-house counsel could have channeled more funds into areas such as instruction and equipment.

Additionally, Trident TEC made payments to the South Carolina Retirement System on behalf of one of these attorneys, after he had signed an agreement of employment "to provide such professional legal advice and representation as he may be called on to perform at a salary based upon his normal billing rate per hour." The Audit Council found

³Since FY 81-82, the fee to be paid must not exceed \$250 without approval.

this attorney listed on the South Carolina Retirement System roster. Section 9-1-480 of the South Carolina Code allows part-time employees membership in the retirement system. However, if Trident TEC had used State TEC Board or Attorney General counsel, the State would not have had to fund retirement on additional personnel. This was an inefficient use of State funds, and resulted from using private attorneys for legal representation.

RECOMMENDATION

THE STATE TEC BOARD SHOULD ENSURE THAT
ALL TECHNICAL INSTITUTIONS HAVE CONTRACTS
FOR SERVICES OF ATTORNEYS, BOTH EMPLOYED
AND RETAINED, APPROVED BY THE ATTORNEY
GENERAL.

Departmental Supplies Are Purchased Above Cost

Trident TEC could have saved between \$11,400 and \$25,400 in FY 81-82 if the bookstore had not charged departments for office supplies at prices above cost. The profit realized by the bookstore funds a "promotional account," which historically was used at the President's discretion.

The bookstore places a 10% profit percentage on supplies purchased solely by other Trident TEC departments; for example, Trident TEC letterhead. A 30% profit percentage is placed on supplies that will be bought by both Trident TEC departments and students, such as accounting and legal pads, pens and scotch tape. The Audit Council's review of

copies of bookstore charge slips revealed no notation of whether the item(s) purchased had been marked up at 10% or 30%; also their description did not denote this. Therefore, based on \$84,500 of gross interdepartmental sales in FY 81-82, the profit realized was between \$11,400 and \$25,400. Further, the bookstore manager does not use State procurement methods to purchase these supplies.

Trident TEC's bookstore profit has historically supported its President's discretionary account. The other TEC schools use this account for advertising and promotion, but within normal expenditure approval procedures, rather than at the President's discretion. Section 59-53-100 of the 1976 South Carolina Code of Laws, effective June 1982, limited the transfer to this "promotional" account to 20% or \$1,000, whichever is more, of auxiliary enterprise profits after applying indirect costs. The remainder will go to the general operating accounts. Although the new law provides more control over the expenditure of auxiliary enterprise profits, it does not provide incentives for Trident TEC to discontinue its practice of selling departmental supplies at a markup.

A finance administrator stated to the Audit Council that he supports interdepartmental sales by the bookstore, in that it is more convenient to go to the bookstore to buy a box of pens than to send a purchase order through the Trident TEC Purchasing Department for a case of them.

The South Carolina Procurement Code does not pertain to items for resale; consequently, the bookstore can circumvent State procurement by adding the markup to supplies and thus considering them as resalable. Nine out of the 16 colleges in the TEC system do not sell supplies to

their other departments at a markup over a nominal handling charge to offset some operational costs. Three of these nine sell to other departments through their bookstore at cost or cost plus 10% handling. The other six operate a "central store" whose items are purchased through State procurement and no markup is charged. However, Trident TEC is joined by the remaining six schools in the TEC system whose departments purchase supplies at a profit (beyond handling) for the bookstore.

The effect of this situation is that institutional funds for supplies are not being spent in a judicious manner. The Trident TEC Bookstore Manager estimated to the Audit Council that he spends 30% of his time purchasing, selling, and accounting for interdepartmental sales. Clearly, items could be bought more economically through Purchasing than through the bookstore. The average monthly purchase by all departments was \$7,043 in FY 81-82. With proper planning, the procurement of these supplies could have been more efficient.

RECOMMENDATIONS

THE TRIDENT TEC AREA COMMISSION SHOULD
INSTITUTE A CENTRAL STORE FOR PROVIDING
SUPPLIES TO COLLEGE DEPARTMENTS.

TRIDENT TEC SHOULD USE PROFITS FROM
AUXILIARY SERVICES FOR PROMOTION OF THE
COLLEGE, SUBJECT TO NORMAL EXPENDITURE
APPROVAL PROCEDURES.

THE APPLICABLE SEVEN TEC COLLEGES SHOULD
DROP THEIR MARKUP RATE ON INTERDEPARTMENTAL
SALES FROM THEIR BOOKSTORES.

CHAPTER IV

MANAGEMENT OF ACADEMIC PROGRAMS AND STUDENT SERVICES

The State TEC Board has approval authority over all academic programs at the technical institutions and sets general criteria for program evaluation. The local technical institutions, however, are given substantial flexibility in applying these criteria and procedures to local academic programs.

The technical institutions are to complement their instructional programs with comprehensive student services which emphasize counseling. The State TEC Board has not taken an active role in setting standards in the student services area. The Audit Council examined the academic programs and student services available at Trident TEC. The following findings discuss some ways in which improvements can be made in these two areas.

Developmental Studies Program Can Be More Efficient

The Developmental Studies (D.S.) program at Trident TEC is one of three D.S. programs in the State TEC system which have not implemented the State TEC Board model for providing developmental instruction. Partially funded by CETA (Comprehensive Education Training Act) at approximately \$4 million between 1975 and 1977, 13 of the 16 technical colleges elected to implement the State TEC Board model for standardized instructional programs in D.S. Trident TEC could realize substantial savings of up to \$100,000 annually, (25% of its yearly D.S. budget), by implementing the State TEC Board model.

The delivery of developmental instruction at Trident TEC has held to traditional lines and, therefore, the College has not taken advantage of individualized instructional materials and methods, the use of paraprofessionals, and other more cost-efficient approaches available to them.

In analyzing the cost-efficiency of Trident TEC's program in Developmental Studies, the Audit Council compared its program to programs implemented at three other colleges. Midlands TEC and Greenville TEC are considered "benchmark" institutions since, with Trident TEC, they are the largest of the technical colleges. Sumter Area TEC was included in the analysis because it is considered by the State TEC Board as a model for cost-efficient developmental instruction. Prior to presenting these analyses, the program model developed by the State TEC Board is described.

The Program Model

Affording a structured management system, the major components of the model include: (1) prescribed diagnostic tests; (2) a plan, based on diagnoses, for correcting weaknesses in English, math and reading; and (3) prepackaged learning modules in each skill area, for individualized use. With individualized instruction, the "chalk and talk" lecture-type classroom model is eliminated. Supervised by "learning managers," students work through study materials based on individualized prescriptions and then take module tests.

Although individualized instruction has been implemented with a variety of staffing configurations, a staffing model has also been developed. The three department heads, who coordinate the three D.S. disciplines - English, math and reading, supervise "paraprofessional learning managers."

Professionals are needed to evaluate English writing samples, although most other aspects of teaching English (grammar, sentence structure, etc.) can be administered by paraprofessionals.

Sumter Area TEC has made the greatest use of paraprofessional learning managers in the TEC system. The former Dean of Developmental Studies at Sumter Area TEC stated that there is no shortage of individuals with several years of college (or even degrees) who are interested in part-time, paraprofessional work; the success of the program can be attributed to intensive training of paraprofessionals and daily supervision by department heads.

The introduction of computer-based instruction (CBI) in basic skills education represents a significant cost-savings potential to developmental studies programs. Five technical colleges are currently integrating CBI into their programs. CBI has been shown to be at least as effective in advancing a D.S. student a grade in the same amount of time as the presently used instructional program. With five CBI workstations, it is estimated that class size per learning manager can be increased from 15 to 20, with students receiving two hours of non-CBI instruction for each hour on the computer.

Comparison to Other Programs

A cost-effectiveness analysis was conducted by the Audit Council, comparing the D.S. programs at Trident, Greenville, Midlands and Sumter Area TECs. (1) Effectiveness was analyzed by comparing one quarter's percentage of D.S. students able to enter degree-awarding programs, and by retention of D.S. students within the Colleges. (2) The cost per D.S. FTE and the program staffing patterns were analyzed.

(1) Effectiveness

Data reporting student progress and retention in D.S. programs for 1982 Fall Quarter was collected by the State TEC Board. The information collected included Fall Quarter enrollment, the number of students who progressed from D.S. to curriculum programs in 1983 Winter Quarter, and total retention of D.S. students from Fall to Winter Quarter.

In analyzing this data, it is important to understand that "headcount" does not reflect actual program activity or the total number of D.S. class hours. The headcount figure reflects the number of students taking one or more classes in Developmental Studies. "Full-time equivalents" (FTE's), however, are computed from real contact hours. Table 10 shows that Trident TEC D.S. taught four times as many students as did Sumter Area TEC. However, less than twice the FTE's were generated by Trident. Trident TEC D.S. also taught 55% more students than did Greenville TEC, but generated 64% fewer FTE's.

TABLE 10
DEVELOPMENTAL STUDIES EFFECTIVENESS MEASURES
FY 82-83

<u>College</u>	<u>Fall 1982 Headcount</u>	<u>Progress to Curriculum Fall '82 to Winter '83</u>		<u>Total Retention Fall '82 to Winter '83</u>	
		<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Greenville	766	145	19	673	88
Midlands	557	58	10	261	46
Sumter Area	294	64	22	209	71
TRIDENT	1,187	329	28	799	67

Source: Audit Council analysis of data collected by the State TEC Board Developmental Studies Coordinator; Spring Quarter FY 82-83.

Table 10 also summarizes (1) the percentage of Fall D.S. students who completed requirements, and entered degree-awarding and diploma-awarding programs in 1983 Winter Quarter: "Progress to Curriculum Programs;" and (2) the percentage of D.S. students who enrolled in 1982 Fall Quarter and returned to the College in 1983 Winter Quarter: "Total Retention." When both effectiveness measures are taken into account, it becomes difficult to identify one program as more successful than another. Cost comparisons then become central to determining the most efficient delivery model.

(2) Cost per FTE and Program Staffing Patterns

Using credit hour and program expenditure data for FY 82-83 collected by the State TEC Board, the Audit Council derived the cost per FTE for the four D.S. programs under study. The cost per FTE was 34% lower at Sumter Area TEC than the average cost per FTE at the other three schools. These derivations are reflected in Table 11.

TABLE 11
FY 82-83 COST PER FTE
IN DEVELOPMENTAL STUDIES

<u>College</u>	<u>Cost Per FTE</u>
Greenville	\$1,257
Midlands	1,432
Sumter Area	1,003
TRIDENT	1,334

Source: Audit Council analysis of data from the State TEC Board Division of Fiscal Affairs, 1983.

The difference can be explained, at least in part, by reviewing the staffing patterns (see Table 12) at these colleges in Developmental Studies.

TABLE 12
FALL 1982 STAFF COMPOSITION IN FOUR DEVELOPMENT STUDIES PROGRAMS

College	Program Dean/Director Average		Assoc. Dean/ Coordinator Average		Instructional Staff - F/T Average		Instructional Staff - P/T		Program Support* Staff F/T	
	No.	Yrly. Salary	No.	Yrly. Salary	No.	Yrly. Salary	No.	Average Hours Per Week Average Hourly Rate	No.	Yrly. Salary
Greenville	1	\$29,500	6	\$24,724	19	\$21,663	7	17.71 \$ 9.19	3	\$13,502
Midlands	1	28,325	3	22,711	12	18,485	5	8.80 10.80	1	12,356
Sumter Area	1	28,270	3	22,059	6	8,650	15	26.80 5.06	1	11,590
TRIDENT	1	28,010	5	22,652	10	20,920	30	11.41 9.72	3	14,797

*Includes lab coordinators, testing coordinators, and teaching assistants; excludes secretarial/clerical staff.

Source: Audit Council analysis of data collected from Greenville, Midlands, Sumter Area, and Trident TEC Developmental Studies, 1983.

A comparison of the part-time instructional salaries shows that Sumter Area TEC makes extensive use of paraprofessionals. Midlands TEC, Trident TEC and Greenville TEC hired only instructional staff with Baccalaureate (B.A.) and Master's (M.A.) degrees while Sumter Area TEC hired and trained qualified paraprofessionals for both full-time and part-time positions. The average salary paid to a full-time instructor at Trident TEC, in D.S. (\$20,920), was approximately \$4,000 more than the average paid to full-time instructors across all technical colleges, in FY 82-83. Most full-time instructors at Trident TEC in D.S. exceed the educational criteria for their positions. In 1982, the State TEC Board established the criteria of a B.A. (or equivalent) for D.S. instruction. All of the Trident TEC instructional staff have advanced graduate degrees (M.A., Ph.D., or equivalent). All part-time instructors have a

minimum of a Baccalaureate degree, and some have Master's degrees. Salaries at Trident TEC are partially based on highest degree attained; the benefit of maintaining such a highly educated staff to teach remedial junior high and high school skills should be examined by Trident TEC administration.

Not only is the program more costly than necessary based on FTE cost comparisons, but also, there is an impact on the rest of Trident TEC. There is a set number of full-time instructional "slots" allocated for the College; approximately 175. Efficiency or inefficiency in one division affects the effectiveness of others. For example, the computer programming curriculum had greater student demand than could be met in the 1982 Fall Quarter. Follow-up of 1981 computer programming graduates showed a 100% placement rate, with a median salary of \$15,594. In FY 82-83, this program had three authorized instructor positions, two of which were filled. The third remained vacant nearly the entire year. Programs which offer highly technical and marketable degrees have had difficulty locating qualified individuals to teach for the salaries offered by the technical college system, generally; this has been the case in computer programming. Although the College does adjust for market demand in setting salaries, the differential may not be great enough to attract well-qualified instructors in highly technical fields such as Computer Programming.

Comparing the FTEs generated in 1982 Fall Quarter, as a measure of program activity, Computer Programming generated 307 FTEs and Developmental Studies generated 400 FTEs, as reported by Trident TEC and the State TEC Board, respectively. Thus, in

1982 Fall Quarter, Computer Programming generated approximately three-quarters of the FTE of Developmental Studies, and operated with two full-time instructors, three part-time instructors, and two lab paraprofessionals. The two paraprofessionals supervised the operation of the labs and earned \$3.75 an hour. This can be compared to the 16 full-time and 30 part-time faculty in D.S., all of whom are professional. It can be argued that Computer Programming students spend much of their time working on individual projects, in laboratory situations. However, it has been shown that a similar instructional model has been available to D.S. at Trident TEC for the past eight years. With the advent of effective, low-cost computer-based instruction, individualized learning approaches are even more attractive as a way of providing D.S. instruction.

As institutions with an "open-door" policy, it is important for technical colleges to provide viable Developmental Studies programs. It is essential that these programs take full advantage of cost-efficient delivery systems, so that the mission of all college programs can be better met.

RECOMMENDATIONS

TRIDENT TEC SHOULD IMPLEMENT THE STATE
TEC BOARD'S MODEL FOR INDIVIDUALIZED
INSTRUCTION, INCLUDING COMPUTER-BASED
INSTRUCTION, IN DEVELOPMENTAL STUDIES.

TRIDENT TEC SHOULD MAKE AS EXTENSIVE USE
OF PARAPROFESSIONALS IN ITS DEVELOPMENTAL

STUDIES PROGRAM AS IS DEEMED PRACTICABLE
BY TRIDENT TEC ADMINISTRATION.

TRIDENT TEC AREA COMMISSION AND ADMINIS-
TRATION SHOULD REVIEW INSTRUCTOR
REMUNERATION POLICIES, IN TERMS OF PAY
DIFFERENTIALS IN FIELDS WITH HIGH-MARKET
VERSUS LOW-MARKET DEMAND.

Counseling of Special and Developmental Studies Students Needs Improvement

The Student Development unit at Trident TEC assists students through counseling, program placement and career development programs. The Audit Council's review indicates that the Student Development section does not have a systematic method for individual counseling of "Special Students" and Developmental Studies students. These students, who comprise at least 30% of the student body, could profit from meeting with counselors on a regular basis to assess careers, goals and alternatives.

Special Students: Trident TEC designates Special Students as individuals who take credit courses at the College but who do not want to earn a degree or diploma. Special Students are allowed to take a maximum of 18 credit hours before fulfilling regular admissions requirements and applying for a curriculum.

During 1982 Fall Quarter, 1,164 students were classified as Special Students at Trident TEC. The Audit Council found that 146 (13%) of the Special Students met or exceeded the 18 credit hour limit. Students with 18 to 99 credit hours represented 90% of this group, while the

remaining 10% had 100 to 240 credit hours. Further, the number of students classified as Special Students increased 103% from 1980 Fall Quarter to 1982 Fall Quarter.

As the data indicates, the limit on the number of credit hours that can be taken by Special Students has not been enforced by the College. Analysis of problems in this area is complicated by Trident TEC's inclusion in the Special Student classification not only students who may simply be enhancing their earlier education but also "undecided" students who want to earn a degree but have not decided on a particular curriculum. Trident TEC does not maintain information on what percent of each element composed the 13% who had taken more than the maximum 18 hours in the Special Student classification.

Not only is career counseling especially important to "undecided" students, but also accurate classification of a student's purpose in attending school is necessary to plan, staff and budget appropriate programs.

Developmental Studies Students: Students are assigned to Developmental Studies because of placement test scores insufficient to enter a curriculum. Trident TEC has not routinely provided individual career counseling to all Developmental Studies students. College policy requires that Developmental Studies students see a Student Development Counselor for individual reassessment of career goals prior to entering a curriculum. However, Student Development counselors stated that this was not feasible due to the short time span between a student's exit from Developmental Studies and registration into a curriculum. Rather than seeing all Developmental Studies students on an individual basis, the Student Development counselors make presentations to Developmental Studies classes.

Routine counseling of Developmental Studies students throughout the year could solve the logistical problem. For example, counseling records indicate that in 1981-82, 95% of the Developmental Studies students who requested individual exit interviews were seen in September, December, March and June. No Developmental Studies students were individually counseled during five months of the year.

The State TEC Board has left policy formulation in the counseling area to each institution. The Trident TEC counseling staff should have formal methods for individual counseling of those students who could benefit most from career and academic counseling. A Fall 1980 Trident TEC Registration Task Force Committee Report noted that Special Students:

pose problems... During regular registration no real interviewing or background determination is possible. Frequently the advisor finds that the student had little background or aptitude for the course desired.

A January 1972 report by the Governor's Management Review Commission called for better counseling procedures in the State TEC System. The report, which noted a 1971 state-wide withdrawal rate of 24% of the full-time enrollment, stated:

Informed authorities within TEC state poor selection of students who are not academically qualified and lack of counseling with those experiencing difficulties are the major causes of this high withdrawal.
[Emphasis Added]

Between FY 76-77 and FY 80-81, Trident TEC's nonreturning student rate ranged from 23% to 31%. (Trident TEC defines a nonreturning student as a student who has left the College without meeting his/her objective and continues to live in the tri-county area.)

The 1982-83 Trident TEC Student Development Plan, which describes Student Development Services, does not address the individual counseling

of Special Students or Developmental Studies students. Trident TEC offers two career development courses for "high-risk students who need concentrated help in making career decisions and setting career goals." However, Special Students and Developmental Studies students are not specifically directed to the course. Any student may take the course without referral.

Special Students and Developmental Studies students are identifiable groups that need career planning assistance and could benefit from special counseling on educational programs and occupational alternatives. The 1979-80 Self-Study report by Trident TEC noted that counseling can play a major role in the retention of students. Student retention is important to Trident TEC not only for effectively using State and local resources but also for meeting their mission of providing technical training.

Assignment of Academic Advisors Needs Improvement

Academic advising generally consists of helping students develop a quarterly schedule of classes consistent with their academic goals. Academic advising is performed by faculty members in the Instruction Division, while the assignment of students to advisors is handled by the Admissions Office in the Student Affairs Division.

Trident TEC needs to improve its academic advising system. The Audit Council's review of the Spring 1983 advisor/advisee listing for Trident TEC indicated that the College needs to (1) more equitably distribute students among faculty advisors, and (2) regularly update and verify the advisor/advisee information.

The Audit Council found that advisors in the College's two-year programs had an average of 43 students to advise, while advisors in one-year programs had an average of 24 students each. However, the number of students per advisor ranged from 1 to 156 college-wide. Following are examples of disparities in the distribution of students among advisors.

- Two advisors in Accounting at North Campus had 139 and 115 advisees, while the Accounting advisors at Berkeley and Palmer campuses had 24 and 16 advisees, respectively.
- Three of the four advisors in Electrical Engineering Technology and Electronics Engineering Technology had 83, 102 and 156 students to advise, while one advisor had 16 advisees.
- Fifty-five advisors had advisees from at least two curricula. One Associate of Science advisor had students from Associate of Science and 13 other curricula.
- A faculty member who left Trident TEC in 1980 was listed on the Spring 1983 advisor listing as an advisor for 26 students. Two advisors who left Trident TEC in June 1982 were listed. The printout showed 316 students with missing or invalid advisor codes.

The quality of academic advising at Trident TEC has been of concern to the College's staff. An advisory committee was formed approximately two years ago to deal with advising problems, but no recommendations had come from the committee as of May 1983.

As of Spring 1983, Trident TEC had no formal, written policies governing the academic advisory process. The State TEC Board provides no guidance in this area but has left decisions to each institution. Trident TEC students are basically assigned to an advisor alphabetically within their curriculum during registration. Disparities occur because the alphabetical distribution of student names is uneven and because there is no system for reallocating previously assigned students when new advisors are added to a curriculum. Terminated employees remain

listed as advisors and advisors have students outside their curricula because there has been no formal procedure for updating advisor data. A procedure proposed in Spring 1983 would require Admissions and Records staff to verify the accuracy of advisor listings on a quarterly basis.

In addition, advisement has been held concurrently with registration, causing advisors to be overloaded with advisees. A Trident TEC study of the registration process in Fall 1980 showed repeated complaints from students about being unable to find an advisor or waiting in line an excessive amount of time to see an advisor. According to the Vice President for Instruction, there is a proposal to hold advisement several weeks before registration.

Disparities in the number of students assigned to advisors are not fair to the students or the instructors. Advisor standards need to be defined by the College and monitored by the Instruction Division. Poor advisement can be a key factor in retention of students. The FY 80-81 Recruiting/Retention Plan of Trident TEC notes the importance of academic advisement: "It is the general consensus of the faculty at Trident Technical College that ... the advisor system now employed at the college is ineffective and that this condition contributes to student's lack of success and to attrition."

RECOMMENDATIONS

THE STATE TEC BOARD SHOULD SET POLICIES
TO IMPLEMENT THE STATE-WIDE GOAL OF
"...PROVIDING A COMPREHENSIVE STUDENT
SERVICES PROGRAM WITH A STRONG EMPHASIS
ON COUNSELING."

IN ORDER TO IMPROVE ITS ACADEMIC ADVISING
PROCESS, TRIDENT TEC SHOULD:

- 1) HOLD AN ADVISING PERIOD PRIOR TO
REGISTRATION;
- 2) SHIFT THE ADVISING OF SPECIAL STUDENTS
TO THE STUDENT DEVELOPMENT COUNSELING
STAFF;
- 3) REVIEW AND UPDATE ADVISEE LISTINGS
QUARTERLY; AND
- 4) DEVELOP WRITTEN POLICIES GOVERNING THE
ADVISING PROCESS, INCLUDING THE ASSIGNMENT
OF STUDENTS TO ADVISORS, MAXIMUM
ADVISOR LOADS AND TRAINING OF ADVISORS
AS TO COLLEGE PROGRAMS, PROCEDURES
AND REQUIREMENTS.

TRIDENT TEC SHOULD IDENTIFY THOSE SPECIAL
STUDENTS WHO ARE "UNDECIDED" STUDENTS
AND RECLASSIFY THEM UNDER THE STATE TEC
BOARD CLASSIFICATION "UNDETERMINED OBJECTIVE."
THE STUDENT DEVELOPMENT SECTION SHOULD
DEVELOP A SYSTEMATIC METHOD FOR PROVIDING
INDIVIDUAL CAREER COUNSELING ON A REGULAR
BASIS TO SPECIAL STUDENTS, UNDECIDED STUDENTS
AND DEVELOPMENTAL STUDIES STUDENTS.

Inadequate Supervision of Extension Center Courses

An Audit Council on-site survey of extension center operations revealed that classes are dismissed much earlier than scheduled departure times. Releasing students early in off-campus locations could result in an unfavorable accreditation review of the College.

Trident TEC offered 50 academic courses, applicable to degree-awarding programs, in four extension centers 1983 Spring Quarter. These centers are administered by the Division of External Operations. Until 1983 Summer Quarter, the academic Deans of the respective programs had not been involved in faculty hiring or supervision for the extension centers. The courses were offered once a week for four hours, and met eleven times. The Audit Council surveyed 15 class meetings, scheduled to meet from 6 p.m. to 10 p.m., at two extension center sites. The Council found that the average dismissal time of the classes was 8:35 p.m., approximately 1.5 hours prior to scheduled departure time.

A similar survey of extension center classes was conducted in 1979, as part of a College self-study for accreditation purposes. The average departure time for evening extension center classes was 8:34 p.m., with a few classes dismissed as early as 7:00 p.m., and only one lasting until 10:00 p.m. The Division of External Operations, therefore, has been aware of this problem for at least three years.

Each extension center has an assigned director whose duties include opening and closing the buildings, handling emergencies, and distributing information. However, they are not charged with supervision of instructors and cannot make judgments in circumstances such as early dismissals.

The four-hour classes at extension centers correspond to campus classes held three times a week for 1½ hours a meeting, or to classes held twice a week for two hours a meeting. The Council found that comparable North Campus courses more closely adhered to scheduled times. Evening classes most often serve students who have worked all day, and may be taught by instructors in the same situation. Therefore, a four-hour class period may be too demanding for all concerned.

Good academic management dictates adherence to scheduled class hours for courses with identical college credit, regardless of the site of instruction. The College Delegate Assembly of the Southern Association of Colleges and Schools (SACS) is charged with the responsibility of accrediting institutions of higher learning in the Southern Region of the United States. SACS standard nine (1977), which presents standards for off-campus classes, states in part: "Courses taught in an off-campus setting should maintain the academic integrity of the institution." Thus, releasing students early in off-campus locations may result in an unfavorable accreditation review due to an inequity in instruction between extension centers and the North campus. In addition, academic programs should be supervised by respective academic deans, whether on-campus or off-campus. The Audit Council has been notified that such a change in hiring and supervision of extension center faculty is being implemented by the College.

RECOMMENDATION

TO HELP ENSURE PARITY AMONG COURSES, THE
TRIDENT TEC ACADEMIC ADMINISTRATION SHOULD
MONITOR FACULTY ADHERENCE TO SCHEDULED

CLASS TIMES AT ALL TRIDENT TEC LOCATIONS;
AND CONSIDER IMPLEMENTING UNIFORM CLASS
LENGTHS ACROSS ALL TRIDENT TEC LOCATIONS.

CHAPTER V

STATE BOARD FOR TECHNICAL AND COMPREHENSIVE EDUCATION

The State TEC Board has powers of administration and enforcement over the technical education system as previously discussed. A very broad power given to the State TEC Board is the authority to establish state-wide policies and procedures to ensure educational and financial accountability for the operation of technical college institutions and their programs.

The Audit Council reviewed some functions of the State TEC Board as a part of this audit of Trident TEC. This review does not constitute a comprehensive audit of the State TEC Board or State TEC system. The Council found that the State TEC Board needs to exercise more authority in areas with system-wide impact, as discussed below.

Lack of Minimum State-Wide Policies

The State TEC Board has issued general guidelines in some areas of technical college operations but has left others a prerogative of each institution. Many policies determined by individual institutions impact directly on students and faculty and may not be equitable to all. This calls for a more uniform and equitable approach.

According to the State TEC Board the following policies are currently determined by the individual technical colleges:

1. Number of teaching hours that constitute a full-time load for the faculty as well as required office hours.
2. Number of class hours that are considered to be a full-time load for the students (unless regulated by the Veterans' Administration, etc.).
3. Drop/Add and attendance policy for the students.

4. Maximum hours that a student may carry.
5. Academic calendar.
6. Fees.
7. Refund policies.
8. Student suspension and re-enrollment policy.
9. Standards of academic progress that students must achieve to remain enrolled and/or to receive financial aid.
10. Minimum performance levels for admission into Developmental Studies and for articulation between Developmental Studies and each curriculum program. Minimum competencies in math, reading and language are defined by colleges for placement into each curriculum.

The State TEC Board is mandated to establish and oversee necessary policies and procedures to ensure accountability. The State TEC Board has responsibility for establishing rules and regulations that result in effective coordination and management of the TEC system.

Because there is a lack of state-wide policies in some areas, some institutions have more stringent policies than others and some have developed no policies in noted areas. The following examples point out some disparities found among institutions:

1. One institution refunds only 50% of the instructional fee when a student withdraws during the established drop/add period. Other institutions refund 100% of the instructional fees under the same conditions.
2. Drop/add periods range from three to 20 days from the beginning of the quarter across institutions. During drop/add periods, students may either join a class or drop a scheduled class without penalty. Some students, therefore, are allowed more time for decision making, which could affect their program goals.
3. Attendance requirements vary among individual divisions at one technical institution, while other institutions uniformly require that students attend at least 75% to 85% of the contact hours for each class in order to receive credit.
4. Faculty workloads are not consistent; the number of contact hours that constitutes a full load typically varies among individual

programs at an institution. However, contact hours constituting a full load also vary within the same program between institutions. For example, General Studies full-load contact hours vary from 15-20 at one technical college to 20-24 at another. In Developmental Education a full load ranges from 21 contact hours at one institution to 30 hours at other technical colleges. Further, two institutions do not have written policies on faculty workloads. This lack of uniformity allows faculty at some institutions to draw overload pay for hours that at another institution would be considered part of the regular load and, therefore, not due extra compensation.

Because the State TEC Board has not set uniform policies in some areas of operation, State TEC employees, who are all State employees, are not treated uniformly within the system. Also, students are treated differently from institution to institution.

RECOMMENDATION

THE STATE TEC BOARD SHOULD IMPLEMENT
ADDITIONAL STATE-WIDE POLICIES THAT WOULD
ENSURE CONSISTENT TREATMENT OF EMPLOYEES
AND STUDENTS AMONG INSTITUTIONS.

Disparity in Local Government Support

There is disparity in local government support of technical colleges: (1) technical colleges receive widely-varying amounts of local government support; and (2) there are also cases of technical institutions serving counties that do not provide them any support.

County revenues make up an average of 9% of overall technical college funds in South Carolina. Generally, these funds are used to provide for plant support costs (plant operations and maintenance, utilities, security, motor vehicles, and print shop) which constitute 13%

of technical college expenditures. County revenues are paying, on the average, 70% of the cost of plant support.

(1) Wide Variation in County Support to Technical Institutions

As previously noted, the average county support overall is 9%; however, one technical college receives as little as 2% while another receives 14% of its overall revenues from county support. While county revenues, on the average, fund 70% of plant support costs, as little as 24% of one technical college's plant support costs are paid for by county funds. However, two technical colleges receive more than enough county funds to pay for plant support.

An additional problem is declining county support for some technical colleges. Fifty percent of technical colleges have experienced a decline in the percentage of total expenditures supported by the counties. This decrease comes at a time when plant support expenditures increased an average of 60%.

(2) Noncontributing Counties

Beaufort TEC and Denmark TEC have not had local governance in the form of an Area Commission and generally have not received local funding. In 1983, the Legislature provided for an Area Commission for Denmark TEC. However, no legislation was proposed or passed for Beaufort TEC.

In 1961, the Beaufort Committee for Technical Training was established. The Committee reported to the Legislative Delegation and was responsible for the development and implementation of the technical program. Amendments changed the Committee to the

Beaufort County Advisory Committee for Technical Training. This Committee does not function as an area commission but is to "assist in an advisory capacity" in the development and implementation of the technical program. Powers of the Committee are not defined as they are for area commissions, and the Beaufort County Council rather than legislative delegations of the contributing counties makes recommendations to the Governor on membership. There is no requirement for an audit of accounts, as area commissions must provide annually to legislative delegations. The Committee reports periodically to the Beaufort County Council and to the Beaufort County Legislative Delegation.

Beaufort County has, through a supply bill, provided 2%-3% of Beaufort TEC's overall funding. In FY 80-81 this accounted for only 15% of plant support costs. Ten of the 46 counties do not contribute to the support of technical colleges in their area even though they receive services from the colleges. For example, two technical colleges which each serve three counties are totally funded by only one of the three related counties.

The law does not specify what portion of support a county must provide. It does direct that the area commission "exercise responsibility for the operation, maintenance and improvement of institutional facilities." Also, technical college budgets are, by law, reviewed and approved by the county legislative delegation and governing bodies.

Legislative intent is further expressed in the General Assembly Charter for the forerunners of the State TEC Board. The mandate states that to qualify for a technical college program the county or area must comply with the following requirements:

1. Be required to make available a proper building which will meet reasonable specifications to be determined by the committee;
2. The area or county must agree to maintain the facility, to operate it as needed for adult preemployment, adult extension and high school preemployment training, as well as to provide the necessary administrative services and transportation of regular high school students where justified. It is recommended that state transportation policies be amended when necessary to make this possible; and
3. That there be provision for adequate local supervision.

The overall effect of the disparity in county funding of technical colleges is that some technical colleges need student fees to fund operations which are covered by local county funds at other technical colleges, and some counties are not contributing their fair share, which could require others to provide more than their share. Student revenues are used to make-up any differences between revenues and expenditures. This might cause some colleges to increase student fees to meet operating costs. State-wide student fees increased from 16.6% of unrestricted funds to 20% from FY 78-79 to FY 81-82. Also, funds that could be used for improvement of programs are not available for that purpose.

RECOMMENDATIONS

THE GENERAL ASSEMBLY SHOULD CONSIDER
AMENDING THE STATUTES TO DULY AUTHORIZE
AN AREA COMMISSION FOR BEAUFORT TECHNICAL
COLLEGE SWORN WITH POWERS AND DUTIES AS
CONTEMPLATED BY PROVISIONS WHICH CREATED
THE TECHNICAL TRAINING SYSTEM IN SOUTH
CAROLINA.

THE GENERAL ASSEMBLY SHOULD CONSIDER
AMENDING THE STATUTES TO DIRECT COUNTIES
WHICH RECEIVE SERVICES OF TECHNICAL INSTI-
TUTIONS TO PAY A PRO RATA PORTION OF THE
LOCAL GOVERNMENT SHARE, BASED ON THE
STUDENT POPULATION FROM EACH COUNTY.
LEGISLATIVE DELEGATIONS AND COUNTY GOVERNING
BODIES SHOULD SCRUTINIZE TECHNICAL COLLEGE
BUDGET REQUESTS AND ADEQUATE FUNDS SHOULD
BE MADE AVAILABLE TO PROVIDE FOR MAINTENANCE
OF COLLEGE FACILITIES.

Expenditures Have Exceeded Appropriations for Special Schools

The Special Schools program is operated by the Industrial Services Division of the State TEC Board and provides recruitment, selection and training to industrial firms that decide to locate in the State or add to their existing facilities. Special Schools provide both short-range and highly specialized training to these industries.

Special Schools' expenditures have exceeded appropriations by approximately 91% resulting in possible reduced incentive to industry, and mid-year costs to other technical education programs. During FY 80-81, the Industrial Services Division determined that available funds (\$618,500) were insufficient to complete the 80 Special Schools planned. In January 1981, because of additional commitments for 19 Special Schools programs, the State TEC Board determined that total expenditures would exceed funds appropriated by \$570,000. In FY 81-82,

the Division again experienced a shortfall of funds needed to complete 54 Special Schools. Commitments were made for the Division to conduct an additional 34 Special Schools which resulted in a total projected shortfall of \$580,203 over the \$634,521 appropriated.

Industrial development activities are conducted by State and local agencies. Incorporated in their presentations as an incentive to new or expanding industries is the offer that potential employees will be trained by the State TEC Board's Special Schools program. Commitments are made which are beyond the control of the State TEC Board, requiring the expenditure of funds beyond the budgeted amount. In 1981, the Executive Director of the State TEC Board stated in a letter to the Budget and Control Board that:

It is almost an impossible task to anticipate the level of industrial development in any given year... Commitments for Special Schools are made by a number of agencies outside of TEC and we, of course, are expected to honor the commitments.

Section 59-53-20 of the 1976 South Carolina Code of Laws makes the State TEC Board responsible for providing training for new and expanding industries on a spontaneous and flexible basis. To be competitive with other states in industrial development activities, it is necessary that Special Schools program funding be given a high priority. However, the State TEC Board is also responsible for operating adequate and high-quality post-high school vocational, technical and occupational diploma and associate degree courses and programs; these may suffer when funds are cut to support other endeavors.

In an effort to address this situation, the General Assembly included in the 1983-84 Appropriation Act two provisos on Special Schools funding. The first allows appropriations to be adjusted without the requirement

of a supplemental appropriations procedure. The second proviso allows up to \$500,000 of the 1982-83 appropriations not expended, to be carried forward and expended for Special Schools in 1983-84.

Failure to adequately fund the Special Schools program could result in the State not meeting commitments made by agencies to new and expanding industry. This situation could reduce incentive to industry to locate in the State or expand. Decreases in new or expanding industry would also affect the number of new jobs created and the economic development of the State in general. A second effect of inadequate funding for Special Schools has been reduction of funds to other State TEC Board programs in order to meet deficits. From FY 80-81 to FY 81-82, the State TEC Board transferred over \$1.1 million from other programs. These funds had been earmarked for equipment and instructional training activities. Also, in December 1981, technical colleges were asked to reduce operating allocations by .81% or \$405,176 to help defray potential Special Schools deficits.

Lack of State TEC Board Oversight in Special Schools' Approval

The State TEC Board has not formally approved many Special Schools programs, resulting in a lack of oversight. Of 298 Special Schools programs conducted by the Industrial Services Division of the State TEC Board from FY 77-78 to FY 81-82, only ten (3%) were formally approved by the Board. The State TEC Board has followed a procedure which allows the Director of the Industrial Division to approve Special Schools programs budgeted at \$50,000 or less. This is not a written policy according to State TEC Board officials, but is incorporated in Board minutes and attempts to involve the Industrial Services Division

in the decision-making process. Since 97% of all Special Schools programs for the past five years have had budgets of less than \$50,000, State TEC Board staff rather than State TEC Board members have made decisions about the expenditure of funds.

The State TEC Board is directed by law to place major emphasis on Special Schools, which are to be closely coordinated with the State's economic development efforts. Section 59-53-57 of the South Carolina Code requires that, "monies appropriated for Special Schools shall be retained at the State level and expended upon recommendation of the Board." For this program to be closely coordinated with the State's economic growth, the State TEC Board must properly allocate its resources.

Under the current policy, the State TEC Board reviews programs and makes recommendations on only 35% of all expenditures for Special Schools. This limits the State TEC Board's involvement in the control of Special Schools' expenditures. The Audit Council estimates that based on total expenditures for Special Schools over the past five years, the State TEC Board could have had input on approximately 66% of all funds expended on Special School programs, had it approved programs budgeted at \$20,000 or more. Such a policy would also ensure that the State TEC Board directs the focus of the Special Schools in a coordinated effort to promote economic growth in South Carolina.

RECOMMENDATIONS

THE GENERAL ASSEMBLY SHOULD CONSIDER
MAKING THE FOLLOWING TEMPORARY PROVISIO OF
THE 1983-84 APPROPRIATION ACT, A PART OF
PERMANENT PROVISIONS OF THE APPROPRIATION
ACT:

Provided, Further, That notwithstanding the amounts appropriated in this section for "Special Schools", it is the intent of the General Assembly that the State Board for Technical and Comprehensive Education expend whatever available funds as are necessary to provide direct training for new and expanding business or industry. In the event expenditures are above the appropriation, the appropriation in this section for "Special Schools" shall be appropriately adjusted, if and only if, revenues exceed projections and the Budget and Control Board and the Joint Appropriations Review Committee approve the adjustment.

THE GENERAL ASSEMBLY SHOULD ANNUALLY
REVIEW AND CONTINUE IF NECESSARY THE
FOLLOWING TEMPORARY PROVISIO OF THE 1983-84
APPROPRIATION ACT:

Provided, Further, That in addition to the funds appropriated in this section, up to \$500,000 of the funds appropriated under this section for 1982-83 which is not expended during that fiscal year may be carried forward and expended for direct training of new and expanding industry in 1983-84.

THE STATE TEC BOARD SHOULD DEVELOP A
WRITTEN POLICY WHICH REQUIRES BOARD REVIEW
AND APPROVAL FOR SPECIAL SCHOOLS PROGRAMS
BUDGETED AT \$20,000 OR MORE INCLUDING SITE
PREPARATION COSTS.

Internal Audit Functions Are Not Properly Aligned

The internal audit functions at both the State TEC Board and Trident TEC levels are not properly aligned to report to their respective organizational heads. The State TEC Board's "Coordinator of Evaluation and Field Audit" reports to the Associate Executive Director for Management, rather than to the Executive Director. Trident TEC's Internal Auditor reports solely to the Vice President for Finance and Administration, rather than to the President.

These organizational alignments have evolved due to managerial changes within the TEC system. At one point, the State TEC Board Internal Auditor reported to the Executive Director. Later, the Internal Audit Department began reporting to the Associate Executive Director for Management. There is no mention of the alignment or responsibilities of Internal Auditors in the State TEC Board Audit Guide or the Fiscal Procedures Manual.

Until 1982, Trident TEC did not have a full-time Internal Auditor because the individual was also responsible for various accounting duties. By reporting to the Vice President for Finance and Administration rather than to the President, Trident TEC Internal Auditors have not been independent of the areas they have audited.

These practices, at both levels, are contrary to audit standards sanctioned by the United States General Accounting Office (GAO), the Institute of Internal Auditors (IIA), and the National Association of College and University Business Officers (NACUBO). According to the GAO:

A Federal, State, or local government auditor may be subject to policy direction from persons involved in the government management process. To help achieve maximum independence, the audit function

or organization should report to the head or deputy head of the government entity and should be organizationally located outside the staff or line management function of the unit under audit. [Emphasis Added]

An internal audit unit should report to an individual in the organization with sufficient authority to ensure broad audit coverage, adequate consideration of audit reports, and appropriate action on audit recommendations. Therefore, internal auditing should be an integral part of the management of the organization. Objectivity and independence are key factors in internal audits.

Because of the improper alignment at the State level, the Internal Auditor's reports are first channeled to his superior (Associate Executive Director for Management) before reaching the Executive Director. There is no assurance that the State TEC Board members will be presented with internal audit reports. Further, the State TEC Board does not have an audit committee which would review both CPA and internal audit reports in order to oversee the fiscal integrity of the central office and the institutions. In a review of State TEC Board minutes from 1979 to 1982, the Audit Council noted no presentation of State TEC Board internal audit reports.

Further, in 1975 the State Auditor recommended the State TEC Board auditors perform an operational review of the State TEC Board. The State TEC Board auditor has stated he has not been requested to perform operational or financial reviews of his colleagues' departments since that time. This interferes with the State TEC Board auditor's effectiveness on system-wide matters.

The improper alignment at Trident TEC could prevent adequate communication of audit findings outside the position of Vice President

for Finance and Administration, in that the findings are subject to his censure. The Trident TEC auditor from early 1982 until June 1983 was a Certified Public Accountant and performed significant reviews of various Trident TEC financial, administrative, and instructional departments. These reports, however, have been released solely at the discretion of the Vice President for Finance and Administration. By reporting to the President, the Internal Auditor's reports would be subject to a wider purview, and their effectiveness would not be hampered by improper organizational alignment.

RECOMMENDATIONS

TEC SYSTEM INTERNAL AUDITORS AT THE STATE AND LOCAL LEVELS SHOULD REPORT DIRECTLY TO THEIR RESPECTIVE ORGANIZATIONAL HEADS.

AN AUDIT COMMITTEE SHOULD BE FORMED FROM STATE TEC BOARD MEMBERS TO ENSURE FISCAL INTEGRITY OF THE CENTRAL OFFICE AND THE SIXTEEN INSTITUTIONS.

THE STATE TEC BOARD AUDITORS SHOULD PERFORM OPERATIONAL AUDITS OF THE CENTRAL OFFICE.

FTEs Have Not Been Audited in the TEC System

As of Fall 1982, FTEs (full-time-equivalent units), which are the basis for State funding within the TEC system, had not been audited.

There is no evidence that such audits had ever been performed by either the State Auditors, who audit the State TEC Board's central office, or the State TEC Board Internal Auditors, who audit the 16 colleges. This situation was created by departments within the State TEC Board assuming that another Board area was handling FTE audits.

Although it has not been specifically mandated in TEC legislation, good management practice would dictate closer oversight by the State TEC Board of the FTE funding mechanism and of the enrollment data from which it is derived. Further, because the State TEC Board Fiscal Affairs Department allocates State funding, it should be more accountable to the State.

Other educational institutions in South Carolina have "student accounting" auditors who verify enrollment data in order to comply with the Education Finance Act. The State of North Carolina's Division of Community Colleges employs two full-time FTE auditors.

After the Audit Council brought this matter to the attention of officials at the State TEC Board in Fall 1982, the head internal auditor began formulating an audit program to test FTE data at the local colleges. He first examined a small college, Horry-Georgetown, in December 1982. In early 1983, the potential impact of findings from FTE audits led the State TEC Board Internal Auditors to suspend their regular rotational schedule in order to concentrate on FTE audits of all the colleges.

The accuracy of FTE data affects funding and the budget process, needs assessment decisions, and position ranks among the State's technical colleges. An estimated total of \$42,366,625 was allocated among the 16 colleges in FY 81-82 on the basis of an FTE formula.

In July 1983, the Audit Council received the State TEC Board Internal Auditors' system-wide audit report on credit hours reported for the 1982 Fall Quarter. As a result of their findings, the State TEC Board Director of Fiscal Affairs adjusted all of the colleges' FY 83-84 allocations; these adjustments ranged from \$-35,243 to \$32,675. The overall adjustment at Trident TEC was a decrease of \$31,696. The State TEC Board Internal Auditor noted weaknesses there in internal controls which were typical of most of the colleges.

The auditors noted the most prevalent problems system-wide were late reporting of attendance records and grades by instructors, and poor internal controls regarding verification of the accuracy and completeness of all data entries to student records. They found cases where students were allowed to attend class without evidence of completing registration and/or paying the fees. Also, instructors often failed to report the last date of attendance for withdrawing students. This impacts funding data if students who withdrew before the end of the drop/add period were not reported as withdrawing until after the drop/add deadline.

At Trident TEC, the State TEC Board auditors noted the large majority of errors was due to names on the rolls who never attended, or dropped during the drop/add period, without being noted as such by the instructors. They also noted there were no registration documents for the equivalent of six to seven students; (these students apparently did not pay their fees, yet they attended classes and received grades).

The State TEC Board auditors stated the major causes (system-wide) of these weaknesses and errors were poor record-keeping and a breakdown in communications between the instructional and student services (Registrar) areas.

The State TEC Board auditors have made the following recommendations, with which the Audit Council concurs:

RECOMMENDATIONS

PRESIDENTS SHOULD INCLUDE AND SUPPORT THE REGISTRAR IN ALL ORIENTATION AND IN-SERVICE TRAINING PROGRAMS FOR FACULTY TO EXPLAIN THE NECESSITY FOR COOPERATION AND COORDINATION OF STUDENT RECORD-KEEPING.

REGISTRARS SHOULD DEVELOP INTERNAL CONTROL PROCEDURES VERIFYING THE ACCURACY AND COMPLETENESS OF ALL DATA ENTRIES TO STUDENT RECORDS ON THE COMPUTER.

TO ENSURE QUALITY, THE STATE TEC BOARD AND THE COLLEGES SHOULD JOINTLY CONSIDER STANDARDIZING THE LENGTH OF THE DROP/ADD PERIOD AND AMOUNT OF REFUNDS.

Fee Hikes Not Related to Cost

The State TEC Board has approved student fee hikes beyond a predetermined maximum amount, without adequate cost information. State TEC Board and Trident TEC officials state they cannot determine the composition of requests for increases, nor of the fee itself.

By South Carolina law, the State TEC Board sets a minimum-to-maximum range for technical college fees, which was \$75 to \$175 per quarter as of June 1983. The State TEC Board officials told the Audit Council these amounts were selected on a judgment basis, rather than by cost analyses. The State TEC Board can only look at the colleges' total fee amounts for compliance within a set range. For fees beyond the maximum, Board approval is necessary; historically, such requests have been passed unanimously by the Board.

From 1976 to 1982, Trident TEC's quarterly tuition fee increased 75%, from \$100 to \$175. In FY 81-82, Trident TEC student revenue from these fees and tuition accounted for 25% of total current unrestricted revenue from the three major sources (fees and tuition, local county tax revenue, and State support).

The Audit Council reviewed State TEC Board files of the colleges' requests for fee hikes above the maximum. This documentation revealed that in the South Carolina TEC system, student fees represent the difference between the anticipated cost of operation and the sum of the State appropriation and local county support. This cost of operation, or expenditure budget, is based on historical experience.

State TEC Board officials justified this method stating that fees are the most flexible of these sources in times of austere budgeting. Over the last decade, technical college enrollment has grown without comparable growth in State appropriations or local support. Consequently, the technical college students have had to pay increased fees to balance growth in enrollment and related costs, accompanied by budget cutbacks.

Low student fees are an objective of the TEC system (Section 59-53-30 of the 1976 South Carolina Code of Laws):

Institutions of the South Carolina Technical Education System shall...maintain low tuition and fees in order to provide access to post-secondary education and insure that such educational opportunities shall not be denied to anyone. [Emphasis Added]

Further, good management practice dictates fiscal accountability to those who either support and/or benefit from educational programs.

Section 59-53-51 of the South Carolina Code gives this authority to the State TEC Board:

The Board shall establish statewide policies and procedures necessary to ensure educational and financial accountability for operation of the technical education institutions and their programs.

The State TEC Board's Policy 7-2-101, whose legal authority is Section 59-53-50, describes the quarterly student fee structure in detail. This policy gives area commissions authority to assess plant and activity fees above the minimum for instruction, with the maximum to include any further "enrichment" and/or repayment of institutional indebtedness. However, no one at Trident TEC or the State TEC Board could delineate for the Audit Council component dollars of any technical school's fee.

A study of community colleges (including technical schools) performed by the University of Florida's Institute of Higher Education reports that the national median percentage of current operating funds, excluding Federal funds, supported by student tuition and fees in 1982 was 21%. At 25%, Trident TEC's 1982 student fees and tuition were supporting a higher share of operations.

The tuition problems at Trident TEC, such as the \$2.1 million paid by students for debt service repayment on an abandoned project (see p. 43), and the transfer of operating funds to the capital improvement account (see p. 47) illustrate the need for determination of fee components.

RECOMMENDATION

THE STATE TEC BOARD SHOULD REQUIRE THAT
THE COLLEGE BUSINESS OFFICERS DETERMINE
THE COMPONENTS OF THEIR STUDENT FEES PER
POLICY 7-2-101, TO ENSURE EDUCATIONAL AND
FINANCIAL ACCOUNTABILITY.

APPENDICES

APPENDIX A



**STATE BOARD FOR TECHNICAL
AND
COMPREHENSIVE EDUCATION**

G. WILLIAM DUDLEY, JR.
EXECUTIVE DIRECTOR

111 EXECUTIVE CENTER DRIVE
COLUMBIA, S. C. 29210

March 8, 1984

Mr. George L. Schroeder, Director
Legislative Audit Council
State of South Carolina
620 Bankers Trust Tower
Columbia, South Carolina 29201

Dear Mr. Schroeder:

Thank you for the opportunity of reviewing the draft report on the recent audit of Trident Technical College and the State Board for Technical and Comprehensive Education.

Your observation concerning the lack of a clear delineation of authority within the legislation establishing the TEC System is noted. The State TEC Board has interpreted this fact as an expression of intent on the part of the General Assembly to have a system with maximum local autonomy. This local autonomy has contributed in a large measure to the success obtained by the Technical Education System in our state.

The administrators of the State Board have recognized that the economy is undergoing a period of change perhaps unequaled in the history of our state and nation. In order to maintain pace with this change, we have implemented a strategic planning process to map the future of TEC. In your report, you have outlined a number of areas in which you suggest policies to enhance the management of the TEC colleges. We will incorporate these matters into our strategic planning process and, therefore, use your report as a constructive management tool.

On the other hand, there are certain findings that we must take issue with:

A. LAC POSITION

"Questionable use of \$4 million Bond Issue."

TEC RESPONSE

Your staff has taken the position that the only applicable use or intent for this bond authorization was the amortization of institutional bonds issued for the construction of the Ashley River

site of Trident TEC. TEC respectfully disagrees with this interpretation. It is our position that the intent was to repay the college for expenses incurred for the construction of the Ashley River Campus and the proceeds could be used for other purposes identified by the Trident TEC Area Commission.

There are several pieces of evidence that we would like to offer in support of our position:

- (1) The approved E-1 Form dated October 29, 1979, signed by Edgar Vaughn, State Auditor, which clearly designates Act 194 of 1979 (Part 1, Section 1, Subsection 12, Item 5) as the funding source for the Berkeley Campus of Trident Technical College.
- (2) A letter signed by six members of the Joint Legislative Bond Review Committee to Mr. William T. Putnam dated April 14, 1981, which recognizes a \$4 million bond authorization to Trident Technical College for the Berkeley Campus of Trident.
- (3) A memorandum from Mr. William T. Putnam to Mr. William A. McInnis dated April 21, 1981, which again acknowledges a \$4 million bond issue "... approved by the General Assembly for construction of the Berkeley Campus."

These documents do not indicate any limited intent in the action of the General Assembly. (Attachment #1)

B. LAC POSITION

The 20% matching requirement was not met for the \$4 million capital improvement bond issue.

TEC RESPONSE

The authorization of \$4 million in capital improvement bonds in Act 194 of 1979 constitutes local funds and did not require matching. This was not a new project and represented reimbursement to the college for the relocation of the Palmer Campus, which was funded from the institutional bond issue. The institutional bonds were being amortized by the assessment of a tuition fee to students. Student fees are defined in our enabling legislation as local funds.

C. LAC POSITION

Proper approval was not obtained for the construction of the Ashley River Campus.

TEC RESPONSE

Prior to the enactment of Act 518 of 1980, the Budget and Control Board had taken the position that capital improvement projects at TEC colleges did not require approval of the Budget and Control Board unless they contained state funds. Justification for this position is the fact that title to all real property at a TEC college is vested in the area commission instead of the state. The Ashley River Campus of Trident TEC was begun prior to the passage of Act 518. After the project became a reporting entity to the Budget and Control Board, we retroactively obtained approval on the architect and contractor.

D. LAC POSITION

Excessive collection of tuition fees from students.

TEC RESPONSE

The primary emphasis in this finding has to do with the allegation of "questionable use" of the \$4 million capital improvement bond issue previously explained in A.

There are several additional comments concerning this finding:

- (1) There is an indication by your staff that the area commission should have adjusted the tuition fee to meet the minimum balance requirements stated in the Institutional Bond Act. The opinion authorizing the reduction of a tuition fee is very recent. Prior interpretations have been that tuition fees are established on a permanent basis. There is an additional consideration, however. The Institutional Bond Act has a section which allows surplus funds in tuition deposit accounts to be used to establish a trust fund for the defeasance of outstanding bonds. The use of the defeasance account allows the amortization of a 15-year bond issue in 12 years. Assuming the application of the defeasance procedure, the collection of tuition fees was not excessive.

Mr. George L. Schroeder
March 8, 1984
Page 4

- (2) Another implication of the finding on the collection of excessive tuition fees relates to the use of \$894,000 of this account for the construction of the Berkeley Campus. Due to inflation and the freeze on capital improvement bonds, the original \$4 million authorization was not sufficient to meet the estimated cost of the project. Additional bond funds in the amount of \$1.75 million were requested and authorized by the General Assembly. Due to priorities established by the Joint Bond Review Committee, these additional bonds will not be available until fiscal year 1984-85. Since the Berkeley Campus was under contract and construction, some provision had to be made to complete the project. The \$894,000 in question was borrowed from the tuition fee account with the understanding it would be repaid upon release of the additional bond authorization. Attached are the necessary approvals for the use of the \$894,000. (Attachment #2)

E. LAC POSITION

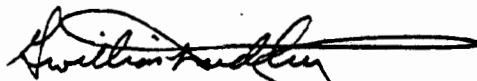
The question of the legality of a State Board policy which allows excess revenues over expenditures to be transferred to capital accounts.

TEC RESPONSE

The point in question is the possible conflict with the proviso in the Appropriations Bill that mandates the expenditure of federal or other revenues before the expenditure of state funds. The TEC colleges are on a reimbursement basis as far as state funds are concerned. They are required to expend local funds and request reimbursement using payroll as evidence of disbursement. It is our position that this procedure meets the purpose and intent of the proviso contained in the Appropriations Bill.

I trust that you may find these responses sufficient; however, should you have any questions or comments about the contents of this letter, please do not hesitate to call on us.

Yours truly,


G. William Dudley, Jr.
Executive Director

GWDjr:rkg

Attachments (2)

Proj. No. H 59-010

APPLICATION FOR APPROVAL OF A PERMANENT IMPROVEMENT PROJECT

DATE September 28, 19 79Institution or Agency Trident Technical CollegeName of Project Berkeley CampusTotal Estimated Cost - - - - - \$ 4,000,000.00

To:—State Budget and Control Board

Columbia, South Carolina

In accord with procedures outlined in your "Manual for the Planning and Execution of State Permanent Improvement Projects", your approval of the project described herein is requested.

I. JUSTIFICATION

(The Owner should attach hereto a full and complete resume of facts contributing to the need of this proposed project. The objective should be to provide sufficient information to fully acquaint the Board with conditions, prospective growth and/or other circumstances that led the Owner to propose this particular project.

Copies of studies or surveys, made either by the Owner or by an outside commercial or other firm, should be made available to the Board. Comments should be included concerning any alternative proposals, if any, considered by the Owner).

II. DESCRIPTION OF PROJECT

A. Type (New building, addition to existing building, renovation, alteration, etc.):

New buildingB. Intended Use: Comprehensive, post-secondary education

C. If New Construction is Involved:

1. Attach (a) Architect's schematic drawing with facilities labeled.
- (b) Outline specifications.
- (c) Small scale locality map.
- (d) Analysis of Architect's Preliminary Construction Estimate.

2. No. Square Feet: SEE ATTACHED

3. Principal Facilities (No. of stories, rooms, offices, etc.)

SEE ATTACHED

D. If renovation and/or alteration of an existing building is involved, attach a statement outlining generally the principal work to be done.

E. If land acquisition is involved, attach a plat of the property, showing general location and acreage. Comment on any problems of acquisition or title that may exist.

F. For any unusual type project, the Owner should confer with the Board in the preparation of this Request, and attach such descriptive data as the Board may require in this particular instance.

III. ESTIMATED COST

Site	\$ _____
Grading	_____
Construction	3,560,000.00 ✓
Fees	240,000.00 ✓
Renovation	_____
Basic Equipment and Supplies	_____
Landscaping	_____
Builder's Risk Insurance	_____
Other (Specify) _____	_____
Contingencies	200,000.00 ✓
TOTAL ESTIMATED COST	\$ 4,000,000.00

It is further estimated that this project will add \$ _____ per year to operation and maintenance costs of this agency.

IV. FINANCING PLAN

A. Funds already in Hand \$ _____

Source: _____

B. Proposed Bond Issue _____

(If a bond issue is proposed, the Board should be consulted prior to preparation of this application, to determine the details to be submitted herewith).

C. Other (describe) Existing bonds A194-1979-86 Part 1

Section 1 Subsection 12 Item 5

_____ 4,000,000

TOTAL **\$ 4,000,000**

Has your governing board taken formal action authorizing the submission of this application? Yes

(Signed) William A. [Signature]

Title _____

BOARD'S ACTION

APPROVED: [Signature] DATE: OCT 29 1979

State Auditor

HORACE C. SMITH
SENATOR, SPARTANBURG COUNTY
SENATORIAL DISTRICT NO. 4
SENATE OFFICE NO. 2

HOME ADDRESS:
BOX 1114
SPARTANBURG, S. C. 29301

COLUMBIA ADDRESS:
SUITE 410, GRESSETTE SENATE OFFICE BLDG.
P. O. BOX 142
COLUMBIA, S. C. 29202



April 14, 1981

COMMITTEES:
CORRECTIONS AND PENOLOGY, Chairman
AGRICULTURE AND NATURAL RESOURCES
BANKING AND INSURANCE
FINANCE
RULES

STUDY COMMITTEES:
S. C. CRIME STUDY COMMITTEE, Chairman
LOCAL GOVERNMENT STUDY COMMITTEE,
Chairman
JOINT BOND REVIEW COMMITTEE, Vice-Chairman

EXHIBIT

APR 14 1981 NO. 23

STATE BUDGET & CONTROL BOARD


Mr. William T. Putnam
Executive Director
Budget and Control Board
Columbia, South Carolina

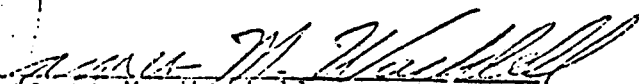
Dear Mr. Putnam:

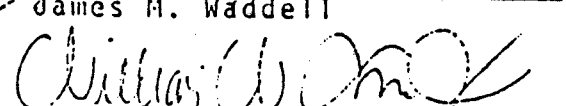
We, the undersigned members of the Joint Legislative Bond Review Committee, hereby wish to express our commitment that an additional one million, seven hundred fifty thousand dollars (\$1,750,000.) will be included in our introduction of the 1981 bond bill for Trident Technical College to supplement four million dollars (4,000,000.) heretofore authorized for the Berkeley Campus of Trident.

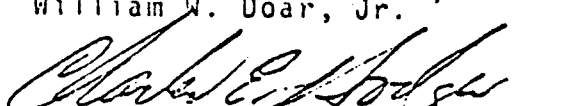
We take this action of commitment in order that the contract for this project may be let forthwith.


Very truly yours,

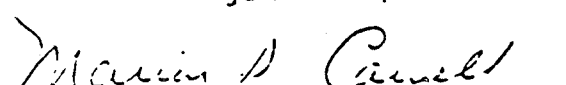

Horace C. Smith


James H. Waddell


William W. Doar, Jr.


Charles E. Hodges


Tom G. Mangum


Marion P. Carnell

HCS/nb

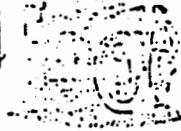
APR 14 1981

NO. 2

State Budget and Control Board

STATE BUDGET & CONTROL BOARD

RICHARD W. RILEY, CHAIRMAN
GOVERNOR
GRADY L. PATTERSON, JR.
STATE TREASURER
EARLE E. MORRIS, JR.
COMPTROLLER GENERAL



Box 12114
Columbia
29211

REMBERT C. DENNIS
CHAIRMAN, SENATE FINANCE COMMITTEE
TOM G. MANGUM
CHAIRMAN, WAYS AND MEANS COMMITTEE

WILLIAM T. PUTNAM
EXECUTIVE DIRECTOR

MEMORANDUM

Date: April 21, 1981

TO: William A. McInnis
FROM: William T. Putnam *WTP*
RE: Trident Technical College - Bonding Authority

At the Budget and Control Board meeting of April 14, 1981, a recommendation was presented which called for Board approval of an additional \$1,750,000 of Capital Improvement Bonds for Trident Technical College. The purpose of the additional funding was to supplement \$4,000,000 presently approved by the General Assembly for construction of the Berkeley Campus.

The Board was advised that Trident TEC had requested permission to accept a construction bid which was substantially in excess of \$4,000,000. This request was carried over by the Board members but it was unanimously agreed that the Board would recommend the additional funding of \$1,750,000.

On April 15, 1981, a letter dated the previous day was received from the Joint Legislative Bond Review Committee and bore the signatures of each of the six members. This letter indicated the intent of that Committee to include additional funding of \$1,750,000 in the 1981 Bond Act for the Berkeley Campus of Trident Technical College. The letter further indicated that the action had been taken "in order that the contract for this project may be let forthwith."

Upon receipt of the letter from the Joint Legislative Bond Review Committee, I contacted Senator Dennis, Mr. Patterson and Mr. Mangum and each of them indicated that they felt that it would be safe, in view of the statements of the Committee, to authorize John McPherson to approve the acceptance of a construction contract which might include the proposed funds.

In approving the letting of the contract, Mr. Mangum indicated that Trident TEC should be made aware that it would be expected to do everything within its power to provide for the additional funding in the remote event that the additional bonding was not approved by the General Assembly.

WTP:sc

cc: John McPherson

DEC 1 1981

Alval Spruill

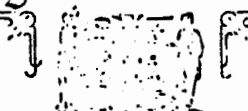
State of South Carolina

State Budget and Control Board

DEC 1 1981

O/O.

RICHARD W. RILEY, CHAIRMAN
GOVERNOR
GRADY L. PATTERSON, JR.
STATE TREASURER
EARL E. MORRIS, JR.
COMPTROLLER GENERAL



Box 12114
Columbia
29211

REINHERT C. DENNIS
CHAIRMAN, SENATE FINANCE COMMITTEE
TOM G. LANGUM
CHAIRMAN, WAYS AND MEANS COMMITTEE

WILLIAM T. PUTNAM
EXECUTIVE DIRECTOR

November 30, 1981

The Honorable Charles E. Hodges, Chairman
Joint Bond Review Committee
228 Blatt Office Building
Columbia, SC 29201

Dear Representative Hodges:

Summary 30-82, Permanent Improvement Project Action Proposed
by Trident Technical College

Associate Executive Director Wyman D. Shealy of the State Board for Technical and Comprehensive Education is requesting approval of the use of \$894,000 of surplus Institution Bond debt service funds now on deposit with the State Treasurer pending the availability of a like amount of Capital Improvement Bond funds from the \$1,750,000 authorized for that institution in the 1981 Bond Act.

If approved, these funds would be applied toward the payment of the construction contract on the Berkeley Campus project covering work now in progress and for which no other Capital Improvement Bond funds presently are available.

Mr. Shealy observes that funds to pay the balance of the construction contract will come from local capital improvement funds which, presumably, also are to be provided on a temporary basis pending the availability of the 1981 Capital Improvement Bond authorization.

A copy of a letter from Trident Technical College Area Commission Chairman Luther Z. Barnett is attached. In that letter, Mr. Barnett indicates that his Commission agreed to use available debt service funds on an interim basis for the Berkeley Campus project in the event that the additional Capital Improvement Bond funds are not available by the time expenditures are necessary. Other background information on this situation also is attached.

The Honorable Charles E. Hodges

Page 2

November 30, 1981

This matter has not been presented formally to the Budget and Control Board. It is forwarded for your Committee's consideration in the interest of expediting a response to Mr. Shealy's letter. It will be included on the agenda for the Budget and Control Board meeting scheduled for December 11, 1981.

Sincerely,

William A. McInnis

William A. McInnis
Deputy Executive Director

WAM:dw

Enclosures

cc: Wyman Shealy
Kathy Clark
Lib Croft
John McPherson

NOV 27 1981



STATE BOARD FOR TECHNICAL
AND
COMPREHENSIVE EDUCATION

G. WILLIAM DUDLEY, JR.
EXECUTIVE DIRECTOR

1429 SENATE STREET
COLUMBIA, S. C. 29201

November 25, 1981

The Honorable William T. Putnam
Executive Director
State Budget and Control Board
212 Wade Hampton Office Building
Columbia, South Carolina 29211

Dear Bill:

The Joint Bond Review Committee has not scheduled release of the \$1,750,000 authorized for the Berkeley Campus of Trident Technical College in the 1981 Bond Bill. As we have previously discussed, the original authorization of \$4 million in the 1979 Bond Bill will be used by February 1, 1982. The construction contract of the Berkeley Campus is approximately \$5.5 million. Since the 1981 authorization will not be available during this fiscal year, we must look at some type of alternate financing on an interim basis.

Trident TEC has \$894,000 in surplus debt service funds on deposit with the State Treasurer. We need to obtain release of these funds to apply toward the construction contract. Would you please take whatever action is necessary with the Budget and Control Board to authorize Trident to draw these surplus funds.

The balance of the contract will come from local capital improvement funds.

Your early consideration would be greatly appreciated.

With kind personal regards,

Sincerely,

Wynan D. Shealy
Associate Executive Director

WDS:bhc

CC: Charles E. Hodges
William A. McInnis ✓
Charles F. Ward

Mr. Don Peterson

atn TO ZERK Co.

State of South Carolina

State Budget and Control Board

RICHARD W. RILEY, CHAIRMAN
GOVERNOR
GRADY L. PATTERSON, JR.
STATE TREASURER
EARLE E. MORRIS, JR.
COMPTROLLER GENERAL

Box 12111
Columbia
29211

REMBERT C. DENNIS
CHAIRMAN, SENATE FINANCE COMMITTEE
TOM G. MANGUM
CHAIRMAN, WAYS AND MEANS COMMITTEE

WILLIAM F. PUTNAM
EXECUTIVE DIRECTOR

December 23, 1981

DEC 29 1981

Mr. Wyman D. Shealy, Associate Executive Director
Technical and Comprehensive Education
1429 Senate Street
Columbia, SC 29201

Dear Wyman:

This will confirm that the Budget and Control Board, at its December 22, 1981 meeting, authorized Trident Technical College to use \$894,000 of surplus Institution Bond debt service funds on the Berkeley Campus project pending the availability of a like amount of Capital Improvement Bond funds authorized for that purpose in the 1981 Bond Act. The Board took this action on the condition that your request, included in Summary 30-82, be approved by the Joint Bond Review Committee.

Sincerely,



William A. McInnis
Deputy Executive Director

WAM:dw

cc: Ralph Rabon
Scott Inkley
Mike Windham

BC: *Charles Ward*
Geny Stevens

REF: "Project H59-010 - Trident (Berkeley Campus)

Type of Draw: Excess Debt Service

State Treasurer ID: To be refunded by Act 179 of 1981, Item 2 -
Trident Construction and Equipment
(Send copy of 12/23/81 Budget and Control Board
Letter with Draw Request)

Internal Accounting ID: 98110

Capital Improvements Joint Bond Review Committee

Charles E. Hodges
House of Representatives
Chairman

Scott R. Inkley
Director of Research and Administration
Budget and Control Board Liaison



Horace C. Smith
Senate
Vice Chairman

Lib Croft
Administrative Assistant

JAN 5 1982

P.O. BOX 142 TELEPHONE: (803) 758-5088 or -8900
ROOM 410, GRESSETTE BUILDING
Columbia, South Carolina 29211

December 28, 1981

Senate Members:

Horace C. Smith
James M. Waddell, Jr.
William W. Doar, Jr.
Jeff R. Richardson, Jr.
Hugh K. Leatherman

House Members:

Charles E. Hodges
Tom G. Mangum
Marion P. Carnell
Jennings G. McAbee
Bill Campbell

Mr. William A. McInnis
Deputy Executive Director
State Budget & Control Board
212 Wade Hampton Bldg.
Columbia, South Carolina 29201

In Re: Summary 30-82: Trident Technical College

Dear Mr. McInnis:

At the meeting of the Joint Bond Review Committee held December 1, 1981, the Committee heard from Associate Executive Director Wyman D. Shealy of the State Board for Technical and Comprehensive Education about the urgent financing needs of the Trident Technical College project. The Berkeley Campus project is under contract and needs funds for payment on construction now in progress. Since there will be no capital improvement bond funds until FY1983, the Committee agreed to release the project in December of 1981 only if the College financed the project from their own resources.

Subsequently, Luther Z. Barnett, Chairman of the Trident Technical College Commission, requested approval of the use of \$894,000 of Surplus Institution Bond debt service funds for the project pending the availability of the \$1,750,000 Capital Improvement Bond funds authorized in the 1991 Bond Act. In this letter, Mr. Barnett also indicated that his Commission has agreed to use available debt service funds on an interim basis for the remainder of the Berkeley Campus project in the event that the CIB funds are not available by the time expenditures are necessary.

Mr. W. A. McInnis

-2-

December 28, 1981

The Joint Bond Review Committee hereby authorizes Trident Technical College to use the \$894,000 of Surplus Institution Bond debt service funds for payment of the construction contract. The Capital Improvement Bond funds authorized for this project in the 1981 Bond Act will receive a priority release date sometime within the January 1983 to January 1986 period.

With kind regards,

Sincerely,


Rep. Charles E. Hodges, Chairman
Joint Bond Review Committee

CEH:lc

cc: Members, Joint Bond
Review Committee

APPENDIX B

LEGISLATIVE AUDIT COUNCIL
STATE OF SOUTH CAROLINA

620 BANKERS TRUST TOWER
COLUMBIA, SOUTH CAROLINA 29201

February 14, 1984

TELEPHONE:
803-758-5322



PUBLIC MEMBERS

JERRY D. GAMBRELL
Chairman

F. HALL YARBOROUGH

ROBERT S. SMALL, JR.

Dr. William A. Orth
President
Trident Technical College
P.O. Box 10367
Charleston, SC 29411

Dear Dr. Orth:

As you know, the Legislative Audit Council has been preparing a report on Trident Technical College. I would like to invite you to review the final draft in our offices at 9:00 a.m. on February 22, 1984.

EX-OFFICIO MEMBERS

SENATE

MICHAEL R. DANIEL
Li. Governor
Pres. - Senate

L. MARION GRESSETTE
Pres. Pro Tempore
Chm. - Judiciary Comm.

REMBERT C. DENNIS
Chm. - Finance Comm.

As Cheryl Bale of my staff discussed with you, the exit conference allows for verification of facts, as well as clarification of any interpretations contained in the report. If appropriate, adjustments or notations can be made in the report. During the exit conference you and your choice of Trident TEC staff or Area Commissioners can read the final draft report, and prepare written comments to be included in the report. If you wish to submit written comments for inclusion in the report, they would need to be ready by March 6, 1984.

Please contact the Project Coordinator, Cheryl Bale, at 758-5322 if you have any questions. We look forward to receiving your comments.

HOUSE

RAMON SCHWARTZ, JR.
Speaker of House

TOM G. MANGUM
Chm. - Ways & Means Comm.

ROBERT J. SHEHEEN
Chm. - Judiciary Comm. /sp

Sincerely,

George L. Schroeder
Director

GEORGE L. SCHROEDER
Director

APPENDIX B (CONTINUED)

Trident Technical College

Charleston, South Carolina 29411

Post Office Box 10367

North Campus - (803) 572 - 6111

Palmer Campus - (803) 792 - 7161

February 21, 1984

Mr. George L. Schroeder
Legislative Audit Council
State of South Carolina
620 Bankers Trust Tower
Columbia, SC 29201

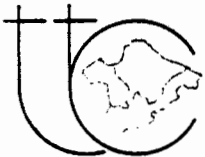
Dear Mr. Schroeder:

Thank you for your letter of 14 February extending an invitation to review the final draft of the Legislative Audit Council report on Trident Technical College. I also appreciate the personal invitation by telephone from Ms. Cheryl Bale.

For several reasons, I have decided not to accept the invitation to attend the exit conference. Since this may be somewhat of an unexpected response, I am especially grateful to have had the opportunity to discuss my reasons in person with Ms. Marilyn Edelhoach last Friday. I trust she has explained both my concerns and my desire to do what is best for the report, and for Trident Technical College. In the following paragraphs I will briefly recap my rationale for this decision. I hope this will be helpful in addressing some of the questions you may have regarding my decision.

As you noted in your letter, the exit conference allows for some verification of facts. My experience includes many exit conferences for audit type reports -- called "Inspector General Outbriefings" in my previous profession. I attended those conferences because I had the background necessary to evaluate and verify certain aspects of the reports. In this case, I do not have such a background. This deficit is compounded by the fact that three key individuals employed during that period of time are no longer at Trident Tech. I sincerely doubt in the relatively short period scheduled for the exit conference, that either I or my present staff would be of much value in verifying the accuracy of facts presented in the report. The same background inadequacies would also impede my ability to clarify any interpretations contained in the report.

Your offer to include my written comments in the report is deeply appreciated. The reasons stated in the previous paragraph prevent my acceptance of this offer. However, even if I did have more knowledge concerning college operations during the period of time in question, I would probably still defer to respond in writing. A written response, even if carefully phrased, tends to give the impression of being defensive in nature, or perhaps even adversarial. That is not my view of this report!



As the new President of Trident Technical College, I intend to use the Legislative Audit Council report as a rather significant management tool. In this report, you have provided me a rare opportunity. You have devoted significant personnel and financial resources over an extended period of time to provide an in-depth, detailed analysis of Trident Technical College. I am looking forward to a professional report written by highly competent audit personnel. In addition, I am personally disconnected from the events and time frame of the report. That's a tremendous advantage that I don't want to compromise by an early involvement that might be defensive in nature. To be of value -- to be worth the investment of resources -- this report must be accepted in as positive a sense as possible by the college. That can only occur if the President takes the lead. And, in my opinion, that leadership is enhanced by remaining disconnected from the audit process until the report is made available to the College in its final form.

Mr. Schroeder, I hope you understand my position. I look at this report as an opportunity and I hope to follow a strategy that will optimize its value to the College. Part of that strategy is declining the invitation to attend the exit conference. I do, however, appreciate your offer to be a part of the process. Thank you.

Sincerely,



William A. Orth
President

WAO/led

cc: Area Commission
Berkeley Legislative Delegation
Charleston Legislative Delegation
Dorchester Legislative Delegation

APPENDIX C
LIST OF TABLES

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TRIDENT TECHNICAL COLLEGE:
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